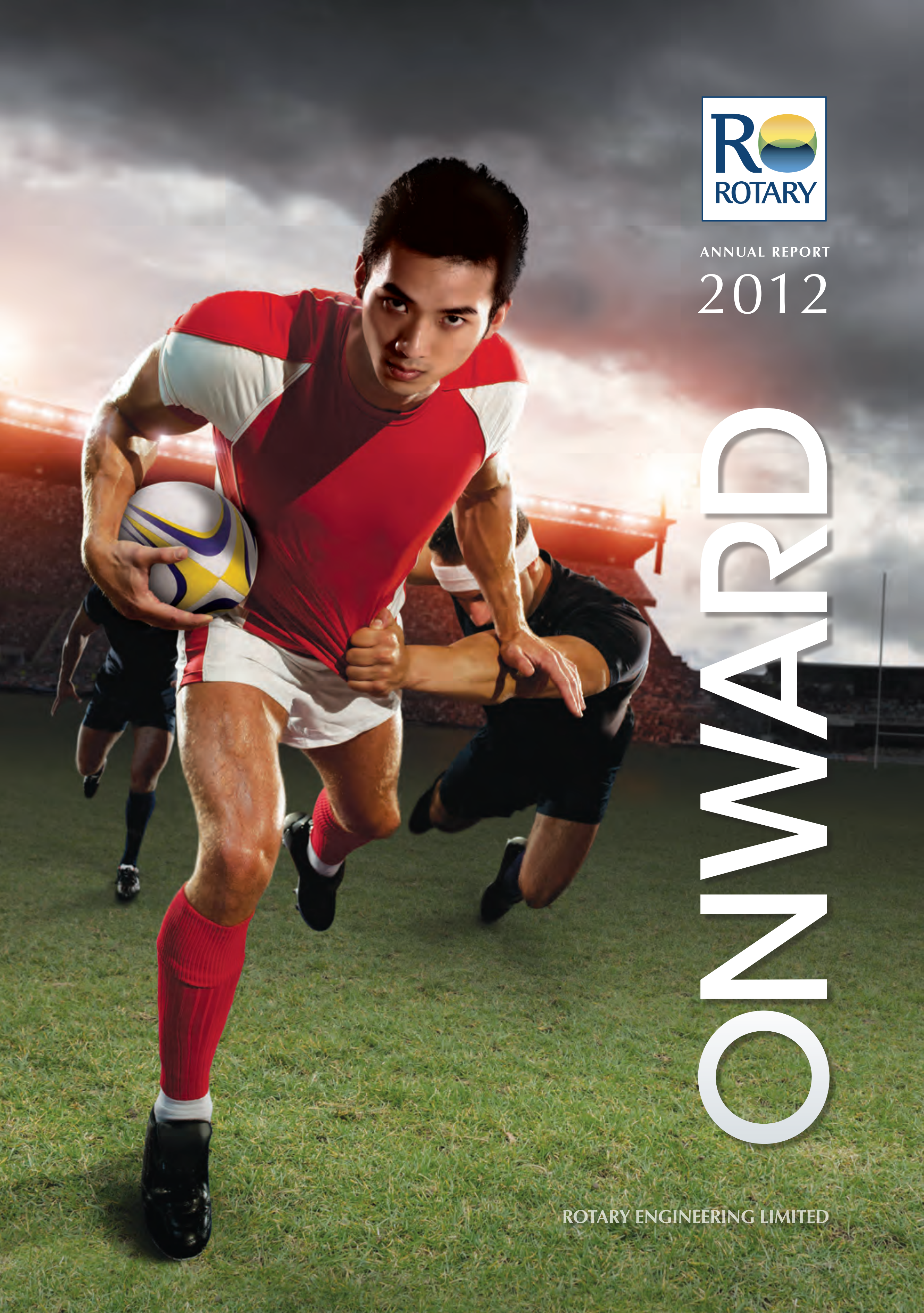


ANNUAL REPORT

2012

ONWARD

ROTARY ENGINEERING LIMITED

CONTENT

ROTARY AT A GLANCE

ROTARY is one of the region's leading oil and gas infrastructure services companies with extensive international experience offering fully integrated engineering design, procurement, construction (EPC) and maintenance services to the oil and gas, petroleum and petrochemical industries.

Headquartered in Singapore, Rotary has established a strong presence in the Asia-Pacific region and continues to make its mark as a global player. Established in 1972, Rotary has forged a reputation built on its hallmark traits of providing quality services, within budget, safely and on-time delivery. Today, Rotary boasts a total strength of about 7,000 employees which include a highly and multi-skilled workforce that forms the mainstay of its core EPC services.

Singapore remains a key market for Rotary while it actively seeks business opportunities overseas. Rotary has subsidiaries and associate companies in Malaysia, Thailand, Indonesia, India, China, Australia, Saudi Arabia and the United Arab Emirates.

Rotary is ISO 9001, ISO 14001, OHSAS certified and is listed on the mainboard of Singapore Exchange since 1993.

OUR CORE VALUES

S SAFETY ABOVE ALL, TO PROTECT OUR EQUIPMENT, THE ENVIRONMENT AND OURSELVES

T TEAMWORK TO ACHIEVE QUALITY PRODUCTS AND SERVICES

R RECOGNITION OF EMPLOYEES' CONTRIBUTION AND DEVELOPMENT OF THEIR POTENTIAL

I INCULCATION OF CONTINUOUS WORK IMPROVEMENT AS OUR CULTURE

D DEVELOPMENT OF PRIDE AND OWNERSHIP IN OUR WORK

E EXCELLENCE IN ALL OUR EFFORTS TO MEET OUR VISION

OUR VISION

We aspire to be an excellent global engineering, procurement and construction company.

OUR MISSION

Our mission is to provide quality services that consistently meet our clients' needs and expectations through excellence in our operations.

HSE POLICY STATEMENT

Our mission is to provide a safe working environment for our employees, protection of the environment, safeguarding owners' plants and equipment.

ROTARY ENGINEERING LIMITED • ANNUAL REPORT 2012 • ONWARD

PRESSING ONWARD

WITH PERSEVERANCE

ROTARY ENGINEERING LIMITED • ANNUAL REPORT 2012 • ONWARD

"Competition is keen, but Rotary remains strong. Indeed, it is our resilience that has seen us through the tough and testing times. We pledge to move onward, delivering the hallmark quality of service that our clients have come to associate us with."

CHAIRMAN'S MESSAGE

DEAR SHAREHOLDERS,
On behalf of my fellow Directors, I am pleased to present to you the performance of the Group for the financial year ended 31 December 2012 (FY2012).

A CHALLENGING YEAR

2012 has been a challenging year. The uncertainties in the global economic climate remain unabated. The Euro zone debt issue continue to prevail whilst the United States and China continue to experience a slow recovery. These uncertainties had a concomitant impact on business environments. Singapore too, has not remained unscathed.

As a leading provider of integrated engineering, procurement, construction (EPC) and maintenance services in the oil and gas and petrochemical industry, Rotary Engineering Limited (Rotary) had similarly experienced a rather challenging year. Nevertheless, the Group has kept its focus on moving onward with its vision to be an excellent global engineering, procurement and construction company.

Our vision has helped us work together as a team in tackling obstacles along the way. We strategise, manage and execute our business and operations through the vagaries of the economic and business circumstances.

We keep to Rotary's mission: to provide quality services that consistently meet our clients' needs and expectations through excellence in our operations.

In such times, we further adhere to our core values, recognising the need to maintain high safety standards and continuous work improvements. We continue to emphasize the importance of teamwork, staff recognition and development.

Our endeavours have not gone unrecognised. In 2012, Rotary won a total of 13 awards – nine gold awards by the Royal Society for the Prevention of Accidents; three Workplace, Safety and Health (WSH) awards; and one for Most Transparent Company in the 13th Investors' Choice Awards 2012 from the Securities Investors Association of Singapore.

PERFORMANCE REVIEW

In a year that has seen many tough and testing times, the Group's full-year financial performance was within expectations and in line with the profit guidance issued in September 2012. Rotary was expected to record a net loss for FY2012, largely due to additional costs encountered at the tail end of the construction phase of one of our major projects in Saudi Arabia.

Rotary recorded revenue of S$444.5 million for the financial year ended 31 December 2012 with a strong order book of S$750 million. The main contributor of revenue came from Singapore, which contributed 50 per cent. The Middle East contributed a further 40 per cent while ASEAN and others contributed the remaining 10 per cent.

ROTARY ENGINEERING LIMITED • ANNUAL REPORT 2012 • ONWARD

In appreciation of our shareholders for their loyal support, the Board of Directors has proposed a final dividend of 0.5 Singapore cent per share.

In FY2012, revenue was lower compared to S$530.9 million a year ago, mainly due to the delay in commencement of certain projects. Gross profit was affected by the recognition of additional costs from the Saudi project. Loss attributable to shareholders was S$80.4 million as compared to profit of S$31.0 million a year ago.

I am confident that the Group's business model remains robust and our overall financial position remains healthy, backed by S$110.5 million of net assets with net asset value per share of 34.0 Singapore cents as at 31 December 2012.

During the year, better collections resulted in an increase in cash and cash equivalent balances from S$116.8 million to S$164.4 million. Net cashflow from operations was healthy at S$83.7 million. Rotary has repaid its loans, and accordingly total loans and borrowings have decreased by S$27.8 million to S$83.2 million as at 31 December 2012. As a result, net cash position has improved significantly from S$5.8 million to S$81.2 million.

With our strong order book in hand, we look onward in our business, currently working hard on two major projects – the US$250.0 million contract for Fujairah Oil Terminal in the United Arab Emirates and the S$300.0 million oil terminal expansion project at Pulau Busing, Singapore.

CELEBRATING 40 YEARS OF EXCELLENCE – "SMART THINKING. SAFE HANDS."

Rotary has achieved a number of notable accomplishments in the past year. One of these was the Group's celebration of its 40th anniversary in February 2012 at the Rotary Regional Conference 2012 with the theme "Dynamic Brands, Global Markets". At this event, Rotary also launched its new brand identity with the tagline, "Smart Thinking. Safe Hands." About 200 guests, including industry leaders and those from various government

organisations, came together to network, exchange ideas and take part in a charity golf tournament. Some of the organisations represented include Oiltanking, SATORP, Vopak, ExxonMobil, Shell, Lanxess, IE Singapore and Jurong Town Corporation.

BUSINESS DEVELOPMENT

Despite the uncertainties in the global economy, we remain confident in the opportunities presented to us. Underpinned by the strong demand for energy from China, India and ASEAN, investments for build-up of energy infrastructure are strong. To tap this potential, we have identified many business development opportunities and have been actively participating in tenders and direct negotiations for projects in ASEAN, South Asia and Gulf Cooperation Council countries.

Strategically, we are exploring opportunities with the possibility of taking minority interests in some of these investments. We are also building our capabilities and moving up the value chain in the EPC of bulk liquid storage infrastructure such as building cryogenic tanks.

In South-East Asia, we have been awarded the Front End Engineering and Design for a couple of major projects and are targeting to roll these projects forward as EPC contracts. In the Middle East, we seek to strengthen our presence whilst being more selective in our projects. We also hope to convert our direct negotiations with a number

of parties into new EPC contracts. Strategic global partnerships are on our cards so as to extend our geographic reach further.

"Our focus remains unchanged. Amidst the economic uncertainties, we continue to move onward, taking cautious steps, but never once turning away an opportunity or challenge."

HUMAN CAPITAL

Since its establishment in 1972, Rotary has evolved into an international EPC player providing complete turnkey solutions to its customers. Our competitive edge is our global workforce of about 7,000 employees spread across ASEAN region, the Middle East, China and India. This diverse and multi-skilled workforce is Rotary's core strength, contributing towards Rotary's success throughout the years.

We further acknowledge the need for constant training and development, extending this belief to our teams around the world. Our pool of trained talent keeps Rotary flexible and motivated. As a Group, we constantly adopt numerous progressive and innovative initiatives with the aim of attracting and retaining talent at all levels. Our four Overseas Training and Test Centres in China, India, Bangladesh and Saudi Arabia play an important role in our workforce quality. Through these centres, we develop our engineers and craftsmen to be attuned to Rotary's hallmark quality of service and delivery.

To fulfil our mission of providing timely services, we are constantly mindful of the need to ensure our people execute their respective tasks with "Smart Thinking. Safe Hands." To achieve this, our Human Resource department continues to focus on training, development and skills upgrading for our workforce.

As part of our employee engagement efforts, we regularly organise various festive celebrations and staff events. Rotary is pleased to have many loyal employees who have contributed to the Group through the years. In 2012, we proudly presented long service awards to 34 employees who have served the company from 10 to 30 years.

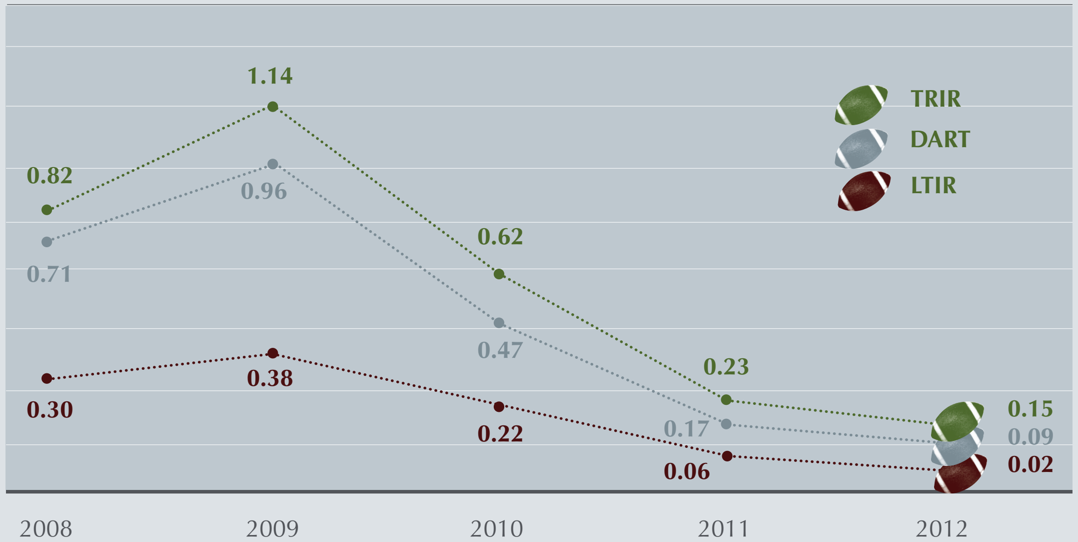
HEALTH, SAFETY AND ENVIRONMENT (HSE) MATTERS

Safety is an integral and important part of Rotary's core values. This has been demonstrated through its commitment to always provide a safe working environment for its people. As such, the Group has been rolling out many innovative safety initiatives. On a national level, Rotary is an active BIZsafe Partner of the WSH; a five-step programme to build up and measure a company's WSH standard. This further signifies Rotary's commitment to workplace safety and health.

Rotary's safety performance in 2012 has shown constant improvement. In 2012, our TRIR (Total Recordable Incident Rate) stands at 0.15. Our DART (Days Away from work and Restricted Transfer work) and LTIR (Lost Time Incident Rate) coefficients have all improved significantly and rank among the industry's lowest at 0.09 and 0.02 respectively. We are proud to have achieved more than 26.3 million total earned safe manhours.

In collaboration with the Singapore Institute of

HSE PERFORMANCE



Safety Officers, Rotary also conducted a workshop called “Working Safely at Heights”. This workshop brought Health, Safety and Environment (HSE) professionals together to share various techniques and best work practices.

2011 saw the launch of the Behavioural Based Safety programme, which is an approach that focuses on the behaviour of people in the workplace with the aim of identifying, influencing and modifying unsafe work behaviour. In 2012, Rotary’s project sites participated in this programme, which covered both general topics on safety as well as specific topics such as working from heights.

Rotary has been recognised for its HSE efforts. Last year, we won nine gold awards from the Royal Society for the Prevention of Accidents. In addition, Rotary was awarded three WSH awards – WSH Performance (Silver) Awards, WSH Safety and Health Award Recognition for Projects (SHARP) as well as WSH Innovation Awards.

Since 2010, the WSH Council has been fostering safety culture in Singapore. In support of this, Rotary

“My deepest appreciation goes out to our shareholders for their unwavering support and loyalty.”

will be embarking on the Culture Safe Index. This index quantifies the safety culture of a workplace, placing it in measurable terms with reference to a pre-determined range of culture levels. This index will allow us to know where Rotary stands on safety culture and promote greater proactive participation from management on HSE activities.

We will continue to move onward in keeping our safety culture and pursuing a safer workplace for everyone.

BUSINESS OUTLOOK

The global economic uncertainties remain unabated, thus having an impact on the current business environment in which the Group operates. However, the long-term demand fundamentals for the oil and gas industry remain intact.

In a world hungry for energy, the construction of energy infrastructure continues to grow strongly. The oil-rich Middle East countries have initiated long-term plans for their development as oil refining, storage and distribution hubs. In the ASEAN region, a stable oil price stimulates investment in exploration and production of oil, creating a demand for oil storage and distribution facilities. Multi-national companies in the oil and gas, petrochemical and pharmaceutical industries continue to find Singapore an attractive country in which to build or expand their production, storage and distribution facilities.

Competition is keen but Rotary’s competitive advantage is strong. We are a leading player in this industry with a brand name that attracts and retains many clients. We have taken steps to constantly measure and monitor our performance.

We are off to a good start for 2013. Two major projects have commenced – the US$250 million Fujairah Oil Terminal and S$300 million project at Pulau Busing.

A NOTE OF THANKS

On behalf of the Board of Directors, I would like to express our deepest appreciation to our shareholders, customers, business associates and suppliers for their unwavering support and close partnership through the years. Our heartfelt appreciation also goes to the management team and staff for their hard work, commitment and dedication. As a team, you have all played a vital role in helping Rotary to move onward, enabling Rotary to excel and succeed in many uncountable ways.

Last but not least, I would also like to place on record my sincere thanks to our Board of Directors for their invaluable experience and counsel. You have all guided and steered Rotary, contributing to its success in the past and making it what it is today.

Let us stay focused and move steadily onward as a team in the year ahead as we seek to strengthen and grow our business further.

CHIA KIM PIOW
Chairman & Managing Director

BOARD OF DIRECTORS

1. CHIA KIM PIOW
Chairman & Managing Director

Chia Kim Piow is the Founder and Chairman of the Rotary Group of Companies. With more than 40 years of experience in plant and facility design and construction, he was instrumental in developing the Group from a sub-contractor to a multinational turnkey engineering design and construction group. Under his stewardship, the Group has gained recognition as one of the region's leading players in the oil and gas, petroleum, petrochemical and pharmaceutical industries. He was awarded Businessman of the Year at the Singapore Business Awards 2011 and conferred the Public Service Medal by the President of Singapore in 2010 in recognition of his community services.

2. KEITH TAY AH KEE
Independent Director

Keith Tay is a Chartered Accountant by profession and was formerly Chairman and Managing Partner of an international accounting firm. He was President of the Certified Public Accountants of Singapore from 1982 to 1992. He is currently Chairman of Stirling Coleman Capital Ltd and holds non-executive directorships in several other companies. He is on the Board of Singapore International Chamber of Commerce of which he was Chairman from 1995 to 1997. He has also served as Adjunct Professor in the School of Accountancy and Business of Nanyang Technological University.

3. BADRI NARAYANAN SANTHANA KRISHNAN
Non-Executive Director

Badri Narayanan Santhana Krishnan was appointed to the Board in 2008. He is currently working with Oman Investment Fund, as an integral part of the fund's Asia Pacific Investment Strategy. Prior to joining the Fund, he held positions with Citigroup and Goldman Sachs in London, Dubai and India. Currently located in Oman, he specialises in investment and portfolio management. He is a Chartered Financial Analyst.

4. QUEK WEE HONG
Independent Director

Quek Wee Hong was appointed to the Board in 1993. He relinquished his executive position in 1995 and has since remained as a non-executive member of the Board. He was previously the Company Secretary and a member of the Audit Committee from 1993 to 1995. In 2001, he was re-appointed as a member of the Audit Committee. Prior to joining the Group, he held senior management positions in accounting, finance and management in both local and multi-national companies. He holds a Master in Business and is a Certified Public Accountant. He is also a Chartered Secretary and Administrator.

5. LAM KHIN KHUI
Independent Director

Lam Khin Khui was appointed to the Board in 1993. He brought along with him a wealth of experience from working with both the private and government linked companies. He holds a Bachelor in Chemical Engineering from the University of Melbourne and a Diploma in Business Administration from the National University of Singapore.

6. WONG OI MOI
Non-Executive Director

Wong Oi Moi has been associated with the Group since 1975. She is currently a Non-Executive and Non-Independent Director of the Board.

7. CHIA KIM CHUA
Executive Director

Chia Kim Chua was appointed to the Board in 1982. He has served as the Head of the Project Management Team and has overseen many major EPC projects in Singapore and overseas. He is also the Management Representative for the Group's ISO 9000, ISO 14000 and OHSAS 18000 certification. He holds a Diploma from Singapore Polytechnic.

SENIOR MANAGEMENT

1. KOH CHUN PENG

Business Development Director
Human Resource Director
Rotary Engineering Limited

Heading the Group's business development activities, Koh Chun Peng leads the clinching of new EPC and multi-disciplinary contracts for the Group. Chun Peng joined in 2007 and covers the key markets of Southeast Asia and Middle-East. From 2012, he holds the concurrent appointment of Human Resource Director and focuses on the delivery of seamless HR support to the group's projects. He oversees recruitment and operations, compensation and benefits, payroll, learning and development, and administration functions. Chun Peng is also the General Manager (China) overseeing the Group's operations in China. He brings with him more than 10 years of market and business development expertise, and hands-on China business experience. A former government scholar, he held managerial positions in the Singapore government's overseas investment promotion arm, IE Singapore. Chun Peng also has professional experience in strategy consulting. He holds a MSc (Management) and BBA (Hons) from the National University of Singapore and has attended an Executive Program jointly conducted by Beijing University and Fudan University.

2. PHILLIP CHOO

Chief Financial Officer
Rotary Engineering Limited

Phillip Choo graduated from the National University of Singapore with a first class honours in Bachelor of Accountancy and a member of the Institute of Certified Public Accountants of Singapore. He has more than 20 years of work experience with various multinational companies in areas of finance, strategic planning and business management.

3. TAN TECK SENG

Senior Project Director
Rotary Engineering Limited

Tan Teck Seng is the Senior Project Director of the Group's Project Management Department. He first joined the Group in 1992 as Project Engineer and now leads a team of project managers for multiple projects in Singapore and overseas. Teck Seng holds an Honours degree in Mechanical Engineering from the University of Liverpool (UK).

4. WONG KHEK SIN

Deputy Construction Director
Rotary Engineering Limited

Wong Khek Sin joined the Group in 1991 as Construction Manager. He has successfully managed multi-million dollar projects in Singapore and the region, including China, India, Malaysia and Thailand. He has more than 30 years of experience in the oil & gas industry. He is responsible for projects which involve civil, tankage, piping, electrical and instrumentation as well as testing and commissioning works. Khek Sin possesses a National Certificate in Supervision and is also certified under the Construction Safety Course for Project Managers.

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1. MEENA NATARAJAN

Engineering Director (Domestic)
Rotary Engineering Limited

Since joining the Group in 2001, Meena Natarajan has been involved in the engineering design of oil & gas & petrochemical projects for various clients such as Oiltanking, Vopak, Universal Terminal, SATORP, Total and Shell. She works closely with other Directors and Senior Management, and together with the Engineering Director (Overseas), formulates the Group's engineering policies, procedures and engineering execution methods. She holds a Bachelor Degree of Engineering (Chemical) from Annamalai University, India and a Masters Degree of Science (Chemical Engineering) from the National University of Singapore.

2. HO SE WAI

Chief Information Officer
Rotary Engineering Limited

Ho Se Wai joined the Group in 2009 as CIO with over 20 years of operational and professional experience in IT. Prior to joining the Group, she has held various positions in multinational companies, both in the IT vendor environment as well as in-house operations. These included heading application support functions, regional PMO for a major IT outsource program, and managing a SAP consulting team. She graduated from the National University of Singapore with a Bachelor of Science (Computer Science and Information Systems).

3. VARGHESE A. JOHNS

Engineering Director (Overseas)
Rotary MEC Engineering (India) Pvt Ltd

Varghese brings onboard with him a wealth of knowledge spanning various industries such as Oil & Gas, Petrochemicals, Power and Industrial Projects. He has 32 years of experience, Project & Engineering Management, of which 29 were spent in the Middle East. Over the years, he has built up extensive rapport working with numerous consultancies, oil production companies, gas producing/processing & distribution companies and Oil & Gas EPC companies, to name a few.

Having recently joined Rotary Engineering Ltd. in Jan 2013, the newly appointed Engineering Director (Overseas) helps formulate the Group's engineering policies and strategies. In particular, he leads the Group's overseas engineering resources/ centres and spearheads the adaption of leading engineering design system and applications such as the SmartPlant suite of database engineering system. He holds a Bachelors Degree (Civil Engineering from NIT- Allahabad -India) and a P.Eng(I) with memberships in various Engineering organisations.

1. KHIN MAUNG MYINT

Technical Director
Rotary Engineering Limited

Khin Maung Myint is the Group's Technical Director and has more than 40 years of experience in the Petroleum and Petrochemical Industry. Before joining the Group, he had been involved in Grass Root Petrochemical Complex Construction, Operation and Maintenance in Myanmar for 18 years. Since joining the Group in 1989, he has been involved in project management, procurement, construction, testing and commissioning of oil and gas projects in Asia, Middle East and Africa. He holds a Bachelor of Mechanical Engineering from the Rangoon Institute of Technology, Myanmar.

2. ALBERT LIEW YOON KONG

Construction Director
Rotary Engineering Limited

Albert Liew is the Construction Director of the Group's Construction Management Team. He has more than 30 years of construction experience gained from multinational companies. Albert is responsible for overseeing projects involving civil, steel structure, storage tanks, piping, electrical and instrumentation works. He has spearheaded a myriad of oil and gas plants, petrochemical complexes, water treatment plants and bridges in Southeast Asia, China and the Middle East. He specialises in storage tank construction work including cryogenic (double-walled tank), spherical and double deck floating roof tanks. He is also certified in Construction Management Supervision, Construction Safety for Project Managers and is a Project Management Professional.

3. ANDY NG

General Manager
Rotary Engineering Limited

Andy Ng is the General Manager of the Group's Project Proposal Department. He joined the Group in 2010 as the Senior Manager of Business Development responsible for securing projects in the Middle East and Asia markets. He also played an instrumental role in a year-long effort in refreshing the Group's 40-year-old brand.

He brings with him 10 years of experience in marketing, business development and IT. He holds a M.Sc. in Technopreneurship & Innovation and a Bachelor of Engineering in Electrical and Electronic from Nanyang Technological University. Prior to joining the Group, he was the Chief Operating Officer of NextView Pte Ltd.

4. DERRICK CHIN

Senior Health, Safety & Environment Manager
Rotary Engineering Limited

Derrick Chin joined the Group in 2013. He holds a Master Degree in Technology Management and a B. Eng (Hons) in Naval Architecture and Offshore Engineering Degree. He has been working as a HSE professional in marine, oil & gas industries for the past 18 years. He is a registered Workplace Safety & Health Officer with the Ministry Of Manpower.

SENIOR MANAGEMENT

1. SONG YANG GEUN

Managing Director
Rotary Mechanical & Construction Company Pte Ltd
Rotary IMC Pte Ltd

Song Yang Geun joined the Group in December 2011. He brings with him extensive knowledge and a wealth of experience in business management. With more than 25 years in the Oil and Gas Construction Industry, he gained substantial personal elements that fit in with the corporate culture that helps lead the organisation to achieve its goals and expand overall vision. He held a variety of senior management positions such as General Manager, Country Manager and CEO in various companies. When he joined the Group, he played an important role for the amalgamation of 4 business units and kept them humming in harmony. He holds an MBA in International Management and a double Bachelor Degree in Mechanical Engineering and Project Management. He is also a CWI Holder by the American Welding Society (AWS) as well as an NDE Level III by the American Society of Nondestructive Test (ASNT-TC-1A).

2. LOH ENG KEE

Managing Director
Thai Rotary Engineering Public Company Limited

Loh Eng Kee is the Managing Director of Thai Rotary Engineering Public Company Limited. Under his leadership and wealth of experience, TRECPL is now widely known as one of the leading companies in turnkey EPC storage terminal construction and a reliable main contractor in the oil and gas industry in Southeast Asia. He is also the Project Director of the Project Management Team. In 2009, he was appointed Project Manager to the SATORP project, the Group's biggest project to-date.

3. KELLIN THAM

Managing Director
Rotary Electrical & Instrumentation Pte Ltd
Supermec Pte Ltd
General Manager
Rotary Logistics Pte Ltd

Kellin Tham is the General Manager of Rotary Logistics Pte Ltd, a one-stop shop logistics provider offering integrated warehousing, material logistics, procurement and total supply chain management services. Since 2001, she has played an instrumental role in overseeing the Group's local and overseas project procurement needs as well as that of many international clients. In 2008, Rotary Electrical Company was added to Kellin's portfolio and since assuming stewardship as its Managing Director, she has continued to steadily grow the subsidiary's business. Kellin is also the Managing Director of the Group's subsidiary, Supermec Pte Ltd.

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SENIOR MANAGEMENT

1. TONY FAM

General Manager
Thai Rotary Engineering Public Co. Ltd
Rotary-Thai Construction Pte Ltd

Tony Fam first joined the group in April 2007 as the Project Manager for Rotary-Thai Construction Pte Ltd (RTC), one of the business units of the Group, responsible for the tankage discipline. In September 2011, he was promoted as the General Manager for both the Thai Rotary Engineering Public Co., Ltd, a wholly owned subsidiary capable of EPC works based in Rayong, Thailand and RTC.

Tony is responsible to spearheading the tankage construction activities, including tankage business development for the group, in both local and overseas markets.

Tony brings with him over 25 years of related industry business experiences, in both project management and business development expertise. He graduated with a Diploma in Mechanical Engineering from Singapore Polytechnic in 1986 and also holds an advanced Diploma in Business Administration from University of Bradford (UK).

2. SARJIT SINGH

General Manager
Rotary MEC (M) Sdn Bhd

Sarjit Singh is the General Manager of Rotary MEC (M) Sdn Bhd. He has more than 30 years' experience working in Food and Beverage, Utility, Boiler Manufacturing and Oil & Gas Industries and holds a Bachelor (Hons) Degree in Mechanical Engineering from the United Kingdom. He is a Registered Professional Engineer with the Institution of Engineers and also a member of the Board of Engineers.

3. RAMU BASKAR

Project Director
Rotary Electrical & Instrumentation Pte Ltd

Ramu Baskar joined the Group in 1993 as a Project Engineer after completion of his Masters degree from the National University of Singapore. He is currently Project Director and has since successfully managed electrical and instrumentation EPC projects in Singapore and Malaysia, including electrical works for Shell's Ethylene Cracker Complex. He also has experience working on projects in Indonesia, China, Saudi Arabia, Thailand and India. His knowledge in electrical and instrumentation works for the oil & gas, pharmaceutical, renewable & bio-diesel projects is an asset to the Group. He is also certified in Construction Safety. He is currently in-charge of the execution & completion of electrical & instrumentation works for ExxonMobil's Singapore Parallel Train – Olefins Recovery Project.

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1. ERIC KOH

General Manager

Rotary IMC Pte Ltd

Eric Koh joined Rotary IMC as the General Manager in March 2012. He has brought with him a wealth of project management experience in Oil and Gas Construction and Maintenance field for the last 18 years. He holds a Bachelor of Engineering Management and Diploma in Mechanical Engineering.

2. JAMES ROBERT PRAKASH

Project Director

Rotary Electrical & Instrumentation Pte Ltd

James Robert Prakash joined the Group in 1998. He has since successfully managed numerous electrical and automation projects in Singapore and other countries, and lucratively implemented terminal automation systems for Refinery & storage tankfarms for Saudi Aramco, Oiltanking, Vopak, Universal Terminal, BP, Power Seraya and various clients. He has 15 years of experience in oil and gas electrical and instrumentation projects. He works closely with the Project Management and Engineering teams to deliver optimised electrical and instrumentation plans for EPC projects, while also managing independent similar such projects. James Robert holds a Bachelor of Engineering in Instrumentation and Controls.

3. WONG KAR HOW

General Manager

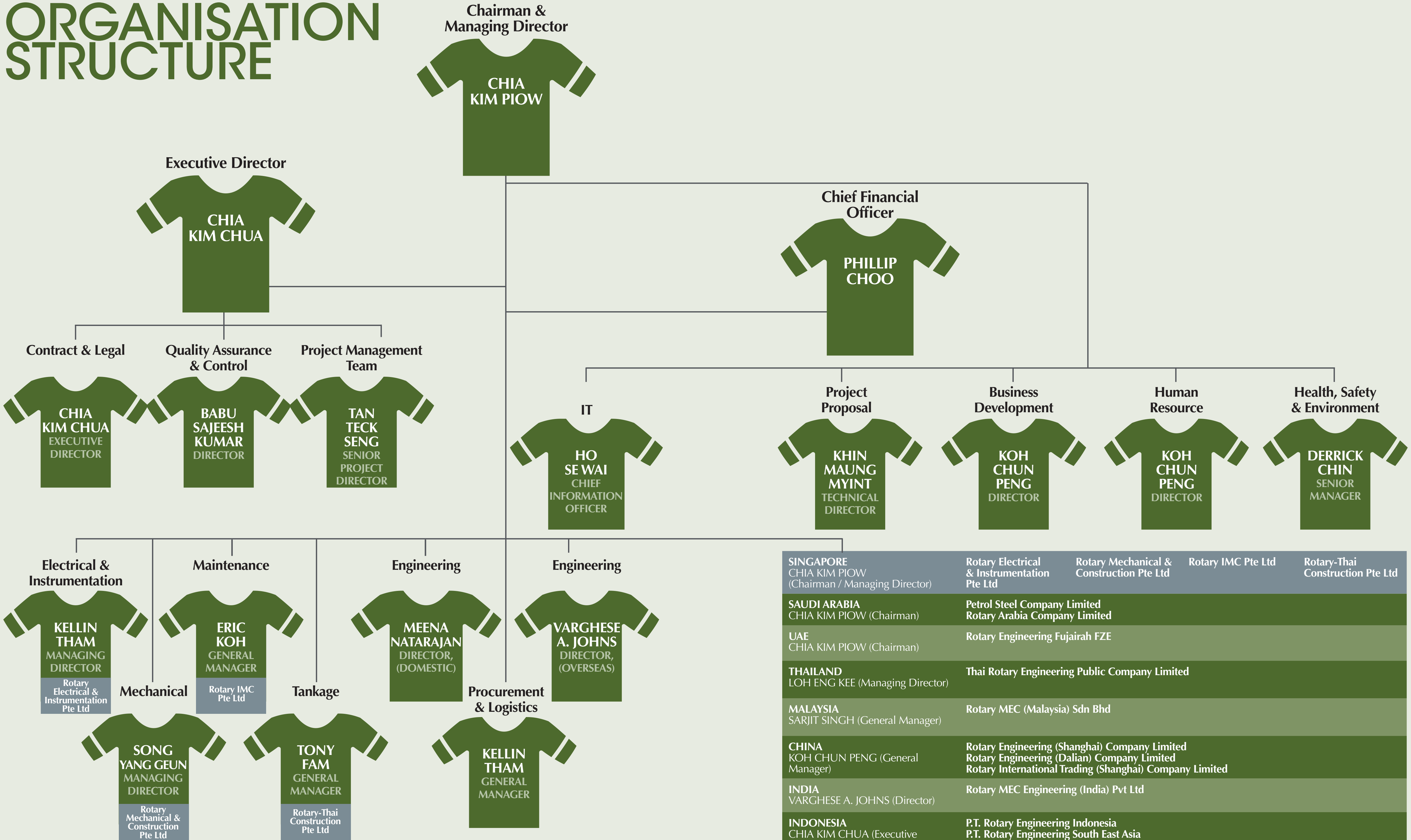
Rotary Mechanical & Construction Company Pte Ltd

Since joining the Group in 2012, Wong Kar How has been involved in the operation management of the Rotary Mechanical And Construction focus on almost all Singapore construction projects (within the Group and direct clients) include oil & gas & petrochemical projects, power plant projects and various other projects. He works closely with other Business Unit of the Group and Senior Management to execute all projects in compliance with the Group's policies, procedures and execution methods.

He holds a Master Of Science Degree in Engineering from Warwick University, UK and an Electronic Engineering Diploma from Malaysia Institution.

He is also a registered Associate Member of Chartered Institute of Arbitrator from UK. Before joining the Group, he had been working on the project management role related to Oil & Gas Industry and Infrastructure Industry for more than 20 years in both Malaysia and Thailand.

ORGANISATION STRUCTURE

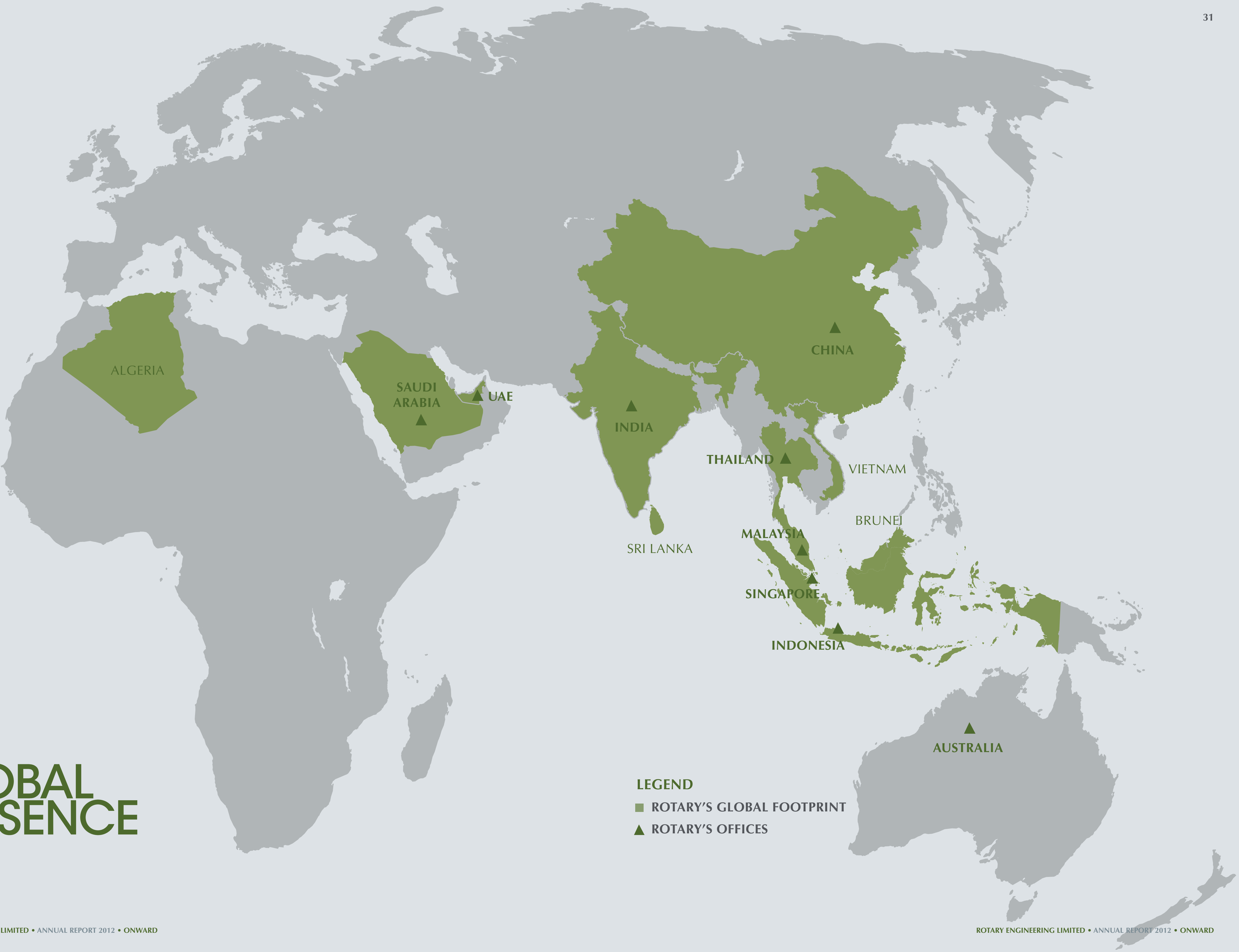


SINGAPORE CHIA KIM PIOW (Chairman / Managing Director)	Rotary Electrical & Instrumentation Pte Ltd	Rotary Mechanical & Construction Pte Ltd	Rotary IMC Pte Ltd	Rotary-Thai Construction Pte Ltd
SAUDI ARABIA CHIA KIM PIOW (Chairman)	Petrol Steel Company Limited Rotary Arabia Company Limited			
UAE CHIA KIM PIOW (Chairman)	Rotary Engineering Fujairah FZE			
THAILAND LOH ENG KEE (Managing Director)	Thai Rotary Engineering Public Company Limited			
MALAYSIA SARJIT SINGH (General Manager)	Rotary MEC (Malaysia) Sdn Bhd			
CHINA KOH CHUN PENG (General Manager)	Rotary Engineering (Shanghai) Company Limited Rotary Engineering (Dalian) Company Limited Rotary International Trading (Shanghai) Company Limited			
INDIA VARGHESE A. JOHNS (Director)	Rotary MEC Engineering (India) Pvt Ltd			
INDONESIA CHIA KIM CHUA (Executive Director)	P.T. Rotary Engineering Indonesia P.T. Rotary Engineering South East Asia			

STRIVING FORWARD

THROUGH PERFORMANCE

GLOBAL PRESENCE



OPERATIONS REVIEW

In 2012, Rotary celebrated 40 years of excellence since its humble beginnings in 1972 as a small electrical sub-contractor. Today, Rotary has evolved into a global Engineering, Procurement and Construction (EPC) company, with about 7,000 employees spread over ASEAN, the Middle East, China and India. The Rotary Group has established itself as a leading provider of EPC and maintenance services in the oil and gas and petrochemical industry.

2012 was a challenging year for us. For the financial year ended 31 December 2012 (FY2012), the Group recorded revenue of S$444.5 million, which was a decrease compared to the previous year's S$530.9 million. This decrease in revenue was mainly due to the delay in commencement of certain projects. Gross profit was affected by the recognition of additional costs in relation to the project in Saudi Arabia. Loss attributable to shareholders was S$80.4 million compared to profit of S$31.0 million in the last financial year.

On the whole, Singapore was the main contributor to total revenue, contributing 50 per cent at S$222.4 million, with the Middle East contributing 40 per cent at S$178.3 million. ASEAN and others contributed the remaining S$43.8 million at 10 per cent.

Currently, Rotary has a presence in Singapore, Malaysia, Thailand, Indonesia, India, China, Saudi Arabia and United Arab Emirates. Operationally, the Group manages and executes its business through its four business units, namely: Electrical & Instrumentation (E&I), Mechanical, Maintenance, and Tankage.

Indeed, a key factor in our success is the cohesiveness within our four business units. They have worked together as a team to provide seamless support to our clients, fortifying Rotary's standing as a multi-disciplinary service provider in Singapore and further afield. Our business units are supported by our corporate functions such as Human Resource, Health Safety and Environment, and Information Technology to enable us to deliver a hallmark quality of service that our clients have come to associate us with.

PROJECT UPDATES

We are pleased that our order book remains strong at a healthy S$750 million, with projects targeted to be completed and delivered progressively up to 2014. About half of these projects can be attributed to projects outside Singapore.

We will move steadfastly onward; keeping busy in securing new contracts in the markets where we operate including Singapore, the Middle East and ASEAN.

Over the past year, we have taken on new contracts on top of our ongoing projects. Many of our clients are repeat customers whom we have built good relations with over the long years. Apart from integrated EPC projects, our contracts also include single or multi-discipline services such as shut-down maintenance, E&I, mechanical and piping works.

SINGAPORE

Rotary has secured a significant win in early 2013. We won an EPC contract worth approximately S$300.0 million from Tankstore and have been appointed as the main EPC contractor for the expansion of the oil terminal at Pulau Busing, an island located off the south-western coast of Singapore. The scope of work involves the engineering design, procurement and construction of an 800,000 cubic metre facility. Work has started and is expected to be completed within two years.

A number of notable projects are currently being executed in Singapore. These include:

- Tankstore Pulau Busing Expansion Project:
  A full EPC contract awarded to Rotary. A total of 24 atmospheric storage tanks will be constructed in the expansion project on Pulau Busing, Singapore.
- Chevron Oronite Pte Ltd:
  In this project, Rotary is undertaking EPC for tankage, procurement and construction for steel structure, and construction works for mechanical and piping.
- CCD (Singapore) Pte Ltd:
  Construction for the Ally Alcohol (AAL) and Vinyl Acetate Monomer (VAM) plant commenced in November 2011. Rotary's scope of work for this project includes tankage, equipment installation, mechanical and piping, as well as electrical and instrumentation.
- Samsung C&T Corporation:
  Package 2: Mechanical and Piping Works is currently underway at Seraya Place, Jurong Island, Singapore. Completion is expected to be in third quarter, 2013.

The Group has also been active in a variety of other projects with well-known clients such as Singapore Petroleum Company, Neste Oil, Lanxess Butyl, Universal Terminal, to name a few. On the maintenance front, we have once again seen repeat clients coming back to us. Our relationships have deepened over the years and we are grateful for their continuous support, trust, and confidence in us.

MIDDLE EAST

Rotary's first entry into the Middle East market was in 2006 when it set up the Petrol Steel workshop in Jubail, Eastern Saudi Arabia. Petrol Steel was first established with the focus to build up our reputation as a reliable and professional sub-contractor, particularly in tankage works. Since its early days, Petrol Steel has grown steadily, clinching at least one project every year, eventually making a breakthrough in 2009 when it secured a US$745.0 million EPC contract to build a refinery tank farm at Jubail, Saudi Arabia for SATORP, a joint venture between Saudi Arabian Oil Company (Saudi Aramco) and Total S.A. (TOTAL).

At present, Rotary has four ongoing projects in the Middle East.

- SATORP Package 6, Jubail, Saudi Arabia:
  This project includes the full range of EPC activities involving 62 atmospheric storage tanks and eight bullet tanks for refinery tank farm in Jubail, Saudi Arabia.
- Fujairah Oil Terminal, United Arab Emirates:
  The commencement of Fujairah Oil Terminal, a full EPC contract to build a petroleum storage facility of 1.1 million cubic metres capacity, marks Rotary's entrance into United Arab Emirates. This landmark project was awarded for US$250.0 million. The Fujairah Oil Terminal will store crude oil, fuel oil, gasoil, gasoline and jet fuel. It will offer full terminal facilities such as loading and discharging of the various products, blending of fuel oil and gasoline and bunker fuel supplying. Fujairah Oil Terminal's strategic location will serve the regional and East African markets.
- Shoaiba II Combined Cycle Power Plant Project, Shoaiba, Saudi Arabia:
  The EPC contract for 17 field storage tanks

was awarded by Daelim in first quarter, 2012. This project relates to the US$1.23 billion Shoaiba II Combined Cycle Power Plant Project in Shoaiba, 120 km south of Jeddah, Saudi Arabia, where Daelim is the main contractor. Progress is well underway and completion is expected within 2013.

- Sadara Project (Isocyanates package), Jubail, Saudi Arabia:
  In 2012, Rotary was awarded the contract by Daelim to construct 17 tanks with a total of 9,000 cubic metres capacity. The tanks are part of the isocyanides package of the Sadara Chemical Complex, a joint venture project between Saudi Aramco and DOW Chemical Company.

Completion of the SATORP project was delayed in 2012 due to unforeseeable circumstances. Additional costs were incurred at the tail end of the construction phase, and we have identified the key issues and taken steps to mitigate and rectify the situation. Without a doubt, SATORP still remains Rotary's landmark project in the Middle East, from which we will take away valuable learning experience to propel us onward for future projects.

The potential in the Middle East market remains evident. With the many upcoming and ongoing projects in the Middle East, we foresee further opportunities to be involved. Rotary will continue to grow its presence in the Middle East.

THAILAND

Our Thailand subsidiary, Thai Rotary Engineering Public Company Limited (TREL), saw good progress in 2012. A few significant projects they are currently executing include:

- PTT Global Chemical Public Company Limited:
  Two contracts were awarded for spherical tanks. The first contract was for one spherical butene-1 tank, and the other contract was for two spherical butadiene tanks. With these in hand, Rotary has continued to maintain its presence in the Thailand market as a spherical tank specialist contractor. All three spherical tanks are set to be completed by third quarter, 2013.
- PTT Phenol Company Limited:
  Rotary is undertaking the construction of two stainless steel tanks for Phenol storage and two carbon steel tanks for Acetone storage for PTT Phenol Company Limited at Map Ta Phut, Rayong, Thailand. The project is expected to be completed by end 2013.
- Thai Oil Public Company Limited:
  Thai Oil Public Company Limited has been Rotary's client since 2011. Our consistent deliverance of quality has seen us being awarded the EPC contract for a new tank farm project at Chonburi, Thailand. A total of five new tanks will be built and delivered in third quarter, 2013.
- JG Summit/Toyo Thai Corporation Public Company Limited:
  Rotary continues to challenge itself in the EPC tankage business. The contract awarded is for engineering, procurement and fabrication of two carbon steel columns. These two units are the largest dimensions that TREL has taken on to date. The columns will be delivered to Philippines.

MALAYSIA

Rotary MEC (M) Sdn Bhd continues to have a busy year ahead. Their Bintulu workshop and office was re-opened in first quarter 2013, and they are currently engaged in the following projects:

- Condensate Polisher Project for Malaysia LNG (MLNG):
  Mechanical piping, equipment installation and electrical and instrumentation works will be completed by first quarter, 2014.
- Phase II, Industrial Process Plant E&I Works at Gebang, Kuantan:
  The electrical and instrumentation works for Phase II is due for completion in mid 2013.
- Rahabco Engineering & Construction Sdn Bhd:
  Rotary MEC (M) Sdn Bhd is tasked with the electrical and instrumentation works for the MLNG Industrial Effluent Treatment System.

In addition to the above ongoing works, the Group is proud to announce the successful delivery of the following projects in 2012:

SINGAPORE

- Samsung C&T Corporation:
  Rotary completed the EPC of seven carbon steel atmospheric storage tanks at Seraya Place, Jurong Island, Singapore.
- Stepan Asia Pte Ltd:
  Construction of two fractionation columns and upgrade of associated facilities, including electrical and instrumentation works for existing plant for the Stepan Jurong Island, Singapore Phase I project.
- Alstom Power Singapore Pte Ltd:
  Construction of two fuel tanks and one reserve feedwater tank for a project on Jurong Island.

Our maintenance arm, Rotary IMC Pte Ltd, continues to provide routine maintenance services and plant shutdowns. The team successfully completed a challenging role at Shell Eastern Petroleum's MEG plant, at which both maintenance and project works were required to be completed within a tight turnaround time.

Our E&I business unit has consistently provided support in executing and completing E&I packages from various projects. Most recently, they completed their mega electrical and instrumentation works at Singapore Parallel Train, Jurong Island.

THAILAND

- PTT Siam Limited/ PTT EP:
  In 2012, Rotary completed its first tankage job awarded by PTT EP for the procurement and construction of 20,000 barrel crude storage tank.
- IRPC Public Company Limited:
  Rotary's scope of work for the contract awarded includes engineering, procurement and fabrication for seven heat exchanger units.
- Thai Tank Terminal Company Limited:
  The construction contract was awarded for building the facilities of Pit no. 42 at Map Ta Phut, Rayong. A total of four tanks, along with piping works, were completed in first quarter, 2012.
- BST Specialty Company Limited:
  Engineering, procurement and fabrication for five heat exchanger units, four reactor units and three tanks. The project was fast-tracked for completion in fourth quarter, 2012.

MALAYSIA

- Process Safety Upgrade Project at Shell MDS:
  Rotary MEC (M) Sdn Bhd successfully completed their scope of electrical and instrumentation works at the Shell Middle Distillate Synthesis plant upgrade at Bintulu, Malaysia.
- Phase I, Industrial Process Plant E&I Works at Gebang, Kuantan:
  Electrical and instrumentation works were completed for an industrial process plant at Gebang. The project scope also involved commissioning the various equipment in seven different sub-stations.

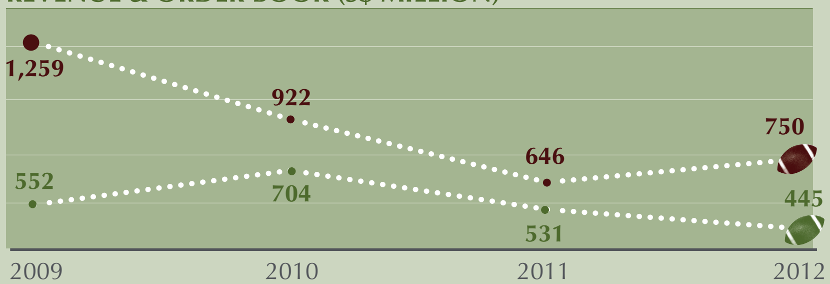
LOOKING AHEAD

Rotary has kept its focus and drive amidst the economic uncertainties of 2012. We have ploughed on, identifying obstacles whilst clearing an onward path for the year ahead. Heartened by the trust and support from existing and new clients, we look to maintain our values and mission to ensure safety in our operations, and to deliver with excellence in the year to come.

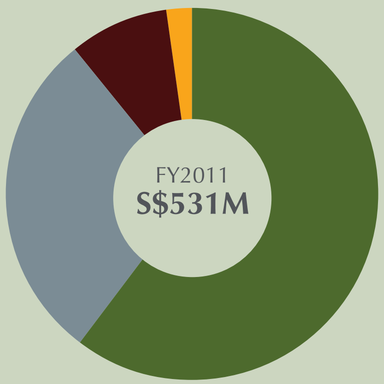
ROTARY SCORECARD

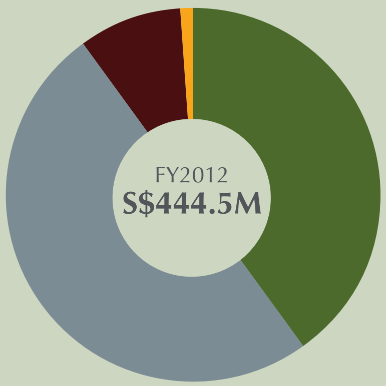
REVENUE & ORDER BOOK (S$ MILLION)

REVENUE
ORDER BOOK



NET ASSET VALUE PER SHARE (CENT)





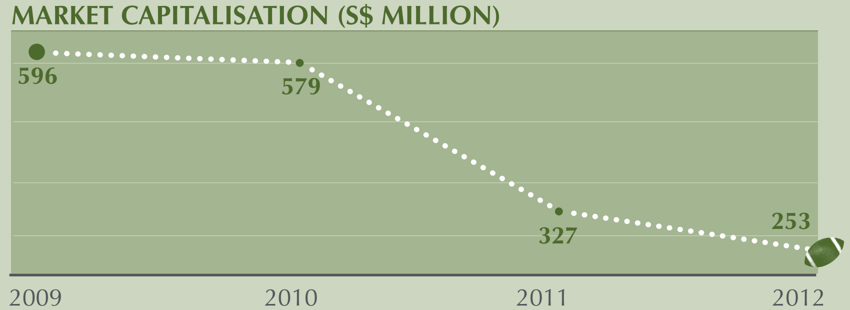
REVENUE BREAKDOWN BY GEOGRAPHIC SEGMENT

MIDDLE EAST · SINGAPORE · THAILAND · OTHERS

FY2011		FY2012	
MIDDLE EAST	60.3%	MIDDLE EAST	40%
SINGAPORE	29%	SINGAPORE	50%
THAILAND	8.6%	THAILAND	9%
OTHERS	2.1%	OTHERS	1%

NET ASSET (S$ MILLION)

MARKET CAPITALISATION (S$ MILLION)



ROTARY ENGINEERING LIMITED • ANNUAL REPORT 2012 • ONWARD

MOVING TOWARD

OUR ASPIRATIONS

ROTARY ENGINEERING LIMITED • ANNUAL REPORT 2012 • ONWARD

FINANCIAL REPORT

CODE OF CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors (the "Board") and Management of Rotary Engineering Limited (the "Company") and its subsidiaries (the "Group") are committed to maintaining high standards of corporate governance by complying with the benchmark set by the Code of Corporate Governance 2005 (the "Code").

The Board and Management are taking steps to align the governance framework with the recommendations of the Code as revised by the Monetary Authority of Singapore on 2 May 2012.

The following report outlines the Company's corporate governance policies and practices that were in place.

BOARD OF DIRECTORS

Principles 1, 2, 4 and 6

The Board of Directors is accountable to the shareholders and is responsible for maintaining a high standard of corporate governance and promoting continuing improvements in Board effectiveness. The Group strives to be consistent with the Code.

The Board comprises seven Directors, of whom two are executive, two are non-executive and three are independent Directors. The Board is made up of individuals from different professional, technical and financial backgrounds. Their core competencies, qualifications, skills and experience are extensive and complementary. There is a strong balance between the Executive and Non-Executive Directors and a strong and independent element on the Board. Key information on Directors is set out on pages 12 to 13 of the Annual Report.

The Board oversees the management of the business and affairs of the Group; approves the Group's corporate and strategic directions, appoints directors to the Board and approves the appointment of key managerial personnel, major funding, investment proposals and divestment, and reviews the financial performance of the Group. Where necessary, additional Board meetings are held to address significant issues or approve major transactions.

The two Executive Directors form the Executive Committee that acts for the Board in supervising the management of the Group's business and affairs. Monthly business review meetings, presided by at least one Executive Director, are held to review the progress of projects and operational performance. Major issues are highlighted for follow-up and corrective actions.

To facilitate effective management, certain functions have been assigned to various Board committees, each of which has its own written terms of reference. The composition of the Board and Board Committees are:

CODE OF CORPORATE GOVERNANCE

Director	Nature of Board Member	Committee Membership Audit	Nominating	Remuneration
Chia Kim Piow	Chairman & Managing Director		Member	
Chia Kim Chua	Executive			
Wong Oi Moi	Non-Executive			
Badri Narayanan Santhana Krishnan	Non-Executive	Member		
Lam Khin Khui	Independent	Member	Member	Chairman
Quek Wee Hong	Independent	Member	Chairman	Member
Keith Tay Ah Kee	Independent	Chairman	Member	Member

The Board is familiar with the Group's business and governance practices. The Directors also receive updates and relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. There is a programme to ensure new directors receive relevant training and orientation before appointment to the Board.

The Board has separate and independent access to the Company's Management and the Company Secretary at all times.

The role of the Company Secretary includes responsibility for ensuring that Board procedures are followed and applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary also ensures good information flows within the Board and its Board Committees and between the Management and Independent Directors.

The number of Board and Committee meetings held during the year and the attendance of each Board member at those meetings are as follows:

Meetings of:	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of Meetings held in 2012:	5	4	1	1
Name & Attendance of Director				
Chia Kim Piow	5	–	1	–
Chia Kim Chua	5	–	–	–
Wong Oi Moi	4	–	–	–
Badri Narayanan Santhana Krishnan	5	4	–	–
Lam Khin Khui	5	4	1	1
Quek Wee Hong	4	4	1	1
Keith Tay Ah Kee	5	4	1	1

CODE OF CORPORATE GOVERNANCE

CHAIRMAN AND MANAGING DIRECTOR

Principle 3

Mr. Chia Kim Piow, who is both Chairman and Managing Director of the Company, leads the Board. This practice has been carried on since inception and he leads the Board meetings because of his in-depth knowledge of the Group's operations as well as his excellent relationship with customers, suppliers and other external parties that carry on business with the Group.

The Board members unanimously support Mr. Chia's role as both Chairman and Managing Director.
The Board is of the view that the current single leadership arrangement works well; in particular it does not hinder the decision-making process of the Company unnecessarily.

NOMINATING COMMITTEE

Principle 5

The Nominating Committee ("NC") comprises Mr. Quek Wee Hong, Mr. Keith Tay, Mr. Lam Khin Khui and Mr. Chia Kim Piow.

Mr. Quek, as Chairman of the Committee, Mr. Lam and Mr. Tay, are Independent Directors.

The NC, which has written terms of reference approved by the Board, recommends to the Board any new Board appointments and nominates Directors for re-election, determining whether or not such nominee has the requisite qualifications and experience. Accordingly, in selecting potential new directors, the NC will seek to identify the competencies required to enable the Board to fulfill its responsibilities. In doing so, the NC will have to regard the results of the annual appraisal of the Board's performance. The NC may engage consultants to search or assess candidates for new positions on the Board, or to engage such other independent experts as it considers necessary to carry out its duties and responsibilities. In line with this, the NC also determines the independence of Board members. In considering the appointment of any new director, the NC ensures that the new director possesses the necessary skills, knowledge and experience that could facilitate the Board in the making of sound and well considered decisions.

In reviewing the nomination of the retiring directors, the NC considered the performance and contribution of each of the retiring directors, having regard not only to their attendance and participation at Board and Board Committee meetings but also the time and effort devoted to the Group's business and affairs, especially the operational and technical contributions.

Further, it sets objective performance criteria and the measurement processes to evaluate the performance of the Board once a year. A Board performance evaluation was carried out to assess and evaluate amongst other thing, the Board's composition, size and expertise, timeliness of Board information, accountability and processes.

CODE OF CORPORATE GOVERNANCE

The NC is responsible for identifying and recommending to the Board new Board members, after considering the necessary and desirable competencies.

Information on Directors' age, position, date of initial appointment and date of last re-election are listed below.

Director	Age	Position	Date of Initial Appointment	Date of Last Re-election
Chia Kim Piow	64	Executive Chairman & Managing Director	02-Dec-1980	N.A.
Chia Kim Chua	62	Executive Director	01-Mar-1982	15-Apr-2011
Wong Oi Moi	58	Non-Executive Director	04-May-1983	20-Apr-2012
Badri Narayanan Santhana Krishnan	33	Non-Executive Director	22-Sep-2008	20-Apr-2012
Lam Khin Khui	64	Independent Director	01-Feb-1993	15-Apr-2010
Quek Wee Hong	71	Independent Director	01-Jan-1993	20-Apr-2012
Keith Tay Ah Kee	68	Independent Director	01-Feb-1993	15-Apr-2011

Pursuant to Article 107 of the Articles of Association of the Company, every director, other than the Managing Director, shall retire from office once every three years, and for this purpose, one-third of the Board are to retire from office by rotation and be subjected to re-election at the Company's annual general meeting ("AGM").

A director over 70 years of age is required to be re-appointed every year at the AGM pursuant to Section 153 of the Companies Act, Chapter 50 before he can continue to act as Director.

The NC has recommended the re-election of Mr. Lam Khin Khui and Mr. Chia Kim Chua who are retiring under Article 107 as Directors at the forthcoming AGM. Mr. Quek Wee Hong, who is a Director of the Company retiring pursuant to Section 153(6) of the Companies Act, Cap. 50, intended not to seek for re-appointment at the forthcoming AGM.

REMUNERATION COMMITTEE

Principles 7, 8 and 9

The Remuneration Committee ("RC") comprises entirely independent non-executive directors of the Company.

The RC members are Mr. Lam Khin Khui as Chairman, Mr. Quek Wee Hong and Mr. Keith Tay who are non-executive directors and independent of management. The RC, when required, has access to expert advice, both within and outside the Company.

CODE OF CORPORATE GOVERNANCE

The role of the RC, which has written terms of reference approved by the Board, is to review and recommend to the Board a framework of remuneration for Directors and senior key executives (MDs and EDs of major subsidiaries) of the Group. It determines specific remuneration packages for each Executive Director and reviews the terms of their service contracts. In line with the above, it considers and approves guidelines on salary, bonus, and other terms and conditions for members of senior management, as well as the granting of share options in accordance with the rules of the Company's Share Option Scheme.

In setting remuneration packages for Directors and senior key executives of the Group, the pay and employment conditions within the industry and in comparable companies are taken into consideration. The RC seeks to establish and maintain an appropriate and competitive level of remuneration to attract, retain and motivate key executives. The RC also ensures that the remuneration policies support the Company's objectives and strategies.

The Managing Director and the Executive Directors have service contracts and do not receive director's fees. Their compensations consist of salary, bonuses, options and performance awards that are dependent on the performance of the Group. The performance-related awards form a significant portion of their compensation. This is to align their interests with those of the shareholders and link rewards to corporate and individual performance.

Executive Directors' service contracts are subject to review every two years. The RC is of the view that the Directors' service contracts are not excessively long or with onerous removal clauses.

The Independent and Non-Executive Directors are compensated through director's fees. The fees take into account the level of contribution and responsibilities of the Directors. These fees are subject to shareholders' approval at the AGM.

The remuneration policy for key executives follows the guidelines laid down by the National Wages Council. Further, the Company's performance, the responsibility and performance of the individual key executive are taken into consideration. Both the RC and the Chairman of the Board recommend the remuneration packages of key executives for the Board's approval.

The Directors' interests and the Executives' Share Option Scheme are set out in the Directors' Report.

The Directors' annual fees and remuneration are set out below (in percentage terms) and relate to actual payments made for the year and accordingly includes bonus paid during the year in respect previous year's performance.

CODE OF CORPORATE GOVERNANCE

DIRECTORS OF COMPANY	SALARY	BONUS	FEES	OTHER BENEFITS	TOTAL
$750,000 to below $1,000,000					
Chia Kim Piow	85%	14%	–	1%	100%
$250,000 to below $500,000					
Chia Kim Chua	84%	14%	–	2%	100%
Below $250,000					
Badri Narayanan Santhana Krishnan	–	–	100%	–	100%
Lam Khin Khui	–	–	100%	–	100%
Quek Wee Hong	–	–	100%	–	100%
Keith Tay Ah Kee	–	–	100%	–	100%
Wong Oi Moi	–	–	100%	–	100%

The key executives' annual remuneration is set out below (in percentage terms) and relates to actual payments made for the year and accordingly includes bonus paid during the year in respect previous year's performance.

KEY EXECUTIVES	SALARY	BONUS	OTHER BENEFITS	TOTAL
$750,000 to below $1,000,000				
Tham Sow Chee, Kellin	22%	76%	2%	100%
$500,000 to below $750,000				
Loh Eng Kee	39%	38%	23%	100%
From $250,000 to below $500,000				
Choo Peng Leong, Phillip	88%	0%	12%	100%
Song Yang Geun	82%	14%	4%	100%
Tan Teck Seng	63%	34%	3%	100%

There were no employees related to Directors of the Company whose remuneration exceeded $150,000 each during the year.

AUDIT COMMITTEE

Principle 11

The Audit Committee ("AC"), which has written terms of reference approved by the Board, comprises Mr. Keith Tay Ah Kee as Chairman, Mr. Lam Khin Khui, Mr. Quek Wee Hong and Mr. Badri Narayanan Santhana Krishnan. Two of the members, including the Chairman, are qualified accountants. Mr. Tay, Mr. Lam and Mr. Quek are Independent Directors.

CODE OF CORPORATE GOVERNANCE

The AC reviews the scope of work, as set out in section 201B(5) of the Companies Act, Cap 50, of both internal and external auditors and the assistance given by the Company's officers to the auditors. It meets with the Company's internal and external auditors to review their audit plans and discussed the results of their respective examinations and their evaluation of the Group's operations and system of internal accounting controls. The AC also reviews significant financial reporting issues and judgments relating to the financial statements of the Group for each financial year as well as the auditor's report thereon, and the quarterly and annual results announcements, before submitting to the Board for approval. With the assistance of the auditors, the AC reviews the interested person transactions for the Group.

The AC reviews the adequacy of the Company's internal controls (financial, compliance and operational) and risk management policies and systems established by management. The AC also reviews the scope and results of the internal audit procedures including the effectiveness and adequacy of the internal audit function.

The Company has in place a Whistle Blowing Policy ("the Policy") for the Group, which provides a channel to employees and other parties to report in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The Policy was to assist the AC in managing allegations of fraud or other misconduct which may made, so that investigations are carried out in an appropriate and timely manner; administrative, disciplinary and civil actions that are initiated following the completion of the investigations, are appropriate and fair; and actions are taken to correct the weakness in the existing system of internal processes which allowed the perpetration of the fraud and/or misconduct and to prevent recurrence.

Apart from formal meetings, the Chairman and various members of the AC will hold informal meetings and discussions with the Management as and when necessary. Members of the AC have independent access to both external and internal auditors. The AC met with both internal and external auditors without the presence of management.

The AC has reviewed the nature and extent of non-audit services to the Group by the external auditors and is satisfied that the nature and extent of such services would not affect the independence and objectivity of the external auditors.

The AC recommends to the Board the appointment, re-appointment and removal of external auditors and approves the remuneration and terms of engagement of the external auditors for shareholders' approval at the forthcoming AGM.

The Group has considered the experience and suitability of the auditors. Accordingly, it has complied with Rules 712 and Rule 715 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") in relation to its auditors.

ACCOUNTABILITY

Principle 10

The Board is accountable to the shareholders while management is accountable to the Board. Management presents quarterly and full-year financial statements to the AC and the Board for review and approval. The Board approves the results and authorizes the release of the results to SGX-ST and the public via SGXNET.

CODE OF CORPORATE GOVERNANCE

INTERNAL CONTROLS & INTERNAL AUDIT

Principles 12 and 13

The Group has outsourced its internal audit function. The AC reviews its adequacy and effectiveness each year. The AC has reviewed the internal audit function and is satisfied that it has the appropriate standing to perform its functions effectively and objectively. Paul Wan & Co. provided the internal audit services for the Company and its subsidiaries during the year. The internal auditor reports primarily to the AC.

The Group has in place a system of internal controls to ensure that assets are safeguarded; proper accounting records are maintained and financial information used within the business and for publication is reliable. The controls include the documentation of key procedures and rules relating to the delegation of authorities. The AC, assisted by the auditors, has reviewed the effectiveness of these controls and the Board has deemed them to be adequate within the Group's guidelines. These controls have been effective for the Group's projects that were completed.

While the Group has been effective in managing its projects, it has been significantly impacted this year by cost overruns in one of its projects that is unprecedented in terms of size and complexity. The detailed study of root causes points to the need to strengthen project management to handle future projects of such unprecedented size and complexity. Accordingly, the Group has strengthened its related internal controls to monitor such projects. The root causes and lessons learnt will be incorporated into the Group's Enterprise Risk Management policies.

The AC has considered the actions undertaken by management, including actions to strengthen internal controls and oversight on projects. The AC has also reviewed and discussed the findings of the external auditors and internal auditors arising from their respective reviews of the system of internal controls, which includes the above, that addresses critical and significant risks of a financial, operational and compliance nature. The findings, which were mainly discussed above, were promptly followed up and where appropriate, rectifications were made by Management. On this basis, the Board with the concurrence of the AC is of the opinion that the internal controls, with the review and consequential steps taken, are adequate and their effectiveness is being continuously monitored.

COMMUNICATION WITH SHAREHOLDERS

Principles 14 and 15

The Company does not practice selective disclosure. All price sensitive information is promptly disseminated via SGXNET which is available to the public in general. Similarly, quarterly, full year results and annual reports announced or issued within the mandatory period are also released through the SGXNET and the Company's website www.rotaryeng.com.sg.

All shareholders of the Group receive the Annual Report and notice of AGM. The Annual General Meeting is the principal forum for dialogue with shareholders. At each AGM, shareholders were invited to participate in the question-and-answer session. Under the Company's Articles of Association, a registered shareholder may appoint up to two proxies to attend AGMs to speak and vote in place of that shareholder. Shareholders whose shares are held through nominees are allowed to observe these AGMs. The Company Secretary records minutes of every AGM and the minutes will be made available to the shareholders upon their request.

All Directors including all chairpersons of the Audit, Nomination and Remuneration Committees are encouraged to be present at all general meetings of the Company. The external auditors are present at the AGMs.

CODE OF CORPORATE GOVERNANCE

RISK MANAGEMENT

The Company's current risk management policies are summarized as follows:

Contract pricing and execution
The ability to secure projects depends on competitive pricing, fulfilling the technical and commercial requirements, and delivery.

The Tender Review Committee comprising at least one Director, Project Manager, Engineering Manager and Business Development Manager, reviews the technical and commercial terms and conditions, as well as quantity and pricing, before approval is given for the submission of the tender proposal.

Upon receipt of a contract, the Contract Review Committee comprising at least one Director, Project Manager, Engineering Manager and Business Development Manager reviews the changes to the technical and commercial terms and conditions, as well as quantity and pricing, before accepting the contract.

Project Management
The Project Director lays out the Project Execution Plan, comprising project organization, cost and resource planning, engineering design, constructability review and inter-disciplinary checks.

The Project Manager monitors the progress and the productivity of the contract on a regular and continuous basis to ensure technical specifications are met, delivery on schedule and costs are under control.

Information System
The Company has a disaster recovery plan and a maintenance program for its accounting and management information system. Adequate resources are dedicated to ensure the systems are running smoothly and, if there is a disruption, a quick resumption of services is assured.

Foreign currencies
The Group operates in several countries and is exposed to movements in foreign currency rates. It identifies foreign currency needs for all contracts. The currency outflows are matched against the inflows. Hedging is used only when there is a significant mismatch between the flows.

Key executives and skilled workers
The Company is a service provider. Therefore, its business development and profitability depends on its ability to attract and retain qualified personnel. Besides the basic human resource programmes, the key executives are offered remuneration packages that are competitive within the industry, employees' share option scheme and a challenging work environment.

CODE OF CORPORATE GOVERNANCE

The Company has Overseas Training and Testing Centres ("OTTC") that recruit, train and certify skilled workers. The OTTC training curriculums are developed jointly with the technical institutes in Singapore. That ensures consistency in productivity, quality as well as safety.

Material prices
The Company depends on its suppliers for materials such as steel plates, pipes and fittings. Changes in prices affect the cost of construction. This is managed by forward planning of requirements, sourcing for alternate supply, and obtaining sufficient quantity at competitive prices.

Source of revenue
Significant part of Group's revenue was derived from Singapore. It has diversified and continues to seek projects from outside to reduce susceptibility to slowdown of Singapore economy.

SECURITIES TRANSACTIONS

The Company has a clear policy on the trading of its securities by directors, officers and employees within the Group. The Company has adopted its own internal Code of Best Practices on Securities Transactions ("the Securities Transactions Code"); The Securities Transactions Code provides guidance to the directors, officers and employees of the Group with regard to dealing in the Company's shares. It emphasizes that the law on insider trading is applicable at all times, notwithstanding the window periods for dealing in the shares. The Securities Transactions Code also enables the Company to monitor such securities transactions by requiring all directors and employees to report to the Company whenever they deal in the Company's securities.

The Group issues reminders to its directors, officers and employees informing them that they must not trade in the listed securities of the Company one month before the announcement of the Group's full year or two weeks before quarterly results and ending on the date of the announcement of such results. In addition, directors are required to notify the Company of any dealings in the Company's securities (outside the applicable closed window period mentioned above) within two (2) business days of the transactions.

Directors and key officers are also encouraged not to deal in the Company's securities on short-term considerations.

MATERIAL CONTRACTS

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving the interests of Directors or controlling shareholders, and no such material contracts subsisted at end of the financial year or were entered into since the end of the financial year.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out at arm's length and under normal commercial terms. There are no reportable interested person transactions for the financial year ended 31 December 2012.

DIRECTORS' REPORT

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Rotary Engineering Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2012.

DIRECTORS

The Directors of the Company in office at the date of this report are:

Chia Kim Piow (Chairman and Managing Director)
Chia Kim Chua
Keith Tay Ah Kee
Quek Wee Hong
Lam Khin Khui
Badri Narayanan Santhana Krishnan
Wong Oi Moi

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following Directors, who held office at the end of the financial year, had, according to the register of Directors' shareholdings required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Rotary Engineering Limited Ordinary shares				
Chia Kim Piow	26,556,816	26,556,816	172,423,528	172,423,528
Chia Kim Chua	22,242,400	22,242,400	–	–
Wong Oi Moi	6,972,896	6,972,896	192,007,448	192,007,448
Lam Khin Khui	842,800	842,800	–	–
Quek Wee Hong	1,120,000	1,120,000	–	–
Keith Tay Ah Kee	459,200	459,200	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2013.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mr. Chia Kim Piow and Madam Wong Oi Moi are deemed to have interests in shares of the subsidiaries of the Company.

Except as disclosed in this report, no Director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

DIRECTORS' CONTRACTUAL BENEFITS

Except as disclosed in the financial statements, since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director, or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

SHARE OPTIONS

The Rotary Engineering Employees' Share Option Scheme ("the ESOS") was approved at the Company's Extraordinary General Meeting on 15 December 2000.

The ESOS was a share incentive scheme to give recognition to employees whose contributions have been essential to the well-being and prosperity of the Group, comprising Rotary Engineering Limited and its subsidiaries and associated companies.

On 26 October 2001, a total of 6,480,000 options to subscribe for ordinary shares in the Company ("Grant 1") were granted to Executive Directors, Independent Directors, Managerial Staff and Specially selected Employees. The exercise price for Grant 1 was fixed at 18.66 cents per share, and was exercisable from 27 October 2001 to 26 October 2011. These options do not entitle the holder to participate, by virtue of the options, in any share issue of any other corporation.

The ESOS has not been renewed upon its expiry. No option was granted or exercised during the year. There were no unissued shares are under option as at the date of this report.

DIRECTORS' REPORT

AUDIT COMMITTEE

The Audit Committee ("AC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviews the audit plans of the internal and external auditors of the Company, and reviews the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Company's officers to the external and internal auditors;
- Reviews the quarterly and annual financial statements and the auditors' report on the annual financial statements of the Company before their submission to the Board of Directors;
- Reviews effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditors;
- Meets with the external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviews the cost effectiveness and the independence and objectivity of the external auditors;
- Reviews the nature and extent of non-audit services provided by the external auditors;
- Recommends to the Board of Directors the external auditors to be nominated, approves the compensation of the external auditors, and reviews the scope and results of the audit;
- Reports actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate; and
- Reviews interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

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DIRECTORS' REPORT

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors:

Chia Kim Piow
Director

Chia Kim Chua
Director

Singapore
25 March 2013

STATEMENT BY DIRECTORS

We, Chia Kim Piow and Chia Kim Chua, being two of the Directors of Rotary Engineering Limited, do hereby state that, in the opinion of the Directors,

(a) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors:

Chia Kim Piow
Director

Chia Kim Chua
Director

Singapore
25 March 2013

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 TO THE MEMBERS OF ROTARY ENGINEERING LIMITED

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Rotary Engineering Limited (the "Company") and its subsidiaries (collectively, the "Group"), set out on pages 58 to 141, which comprise the balance sheets of the Group and the Company as at 31 December 2012, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 TO THE MEMBERS OF ROTARY ENGINEERING LIMITED

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants

Singapore
25 March 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	Group 2012 $'000	Group 2011 $'000
Revenue	5	**444,467**	530,869
Cost of sales		**(554,517)**	(420,018)
Gross (loss)/profit		**(110,050)**	110,851
Other income		**4,387**	2,009
Selling and marketing costs		**(1,541)**	(2,317)
Administrative costs		**(43,185)**	(50,834)
Other operating costs		**(26,568)**	(15,353)
Finance costs		**(2,643)**	(1,365)
Share of results of associated companies		**(2,345)**	(393)
(Loss)/profit before tax	6	**(181,945)**	42,598
Income tax expense	7	**(3,052)**	(5,397)
(Loss)/profit for the year		**(184,997)**	37,201
Other comprehensive income			
Net gain on available-for-sale financial assets		**1,569**	388
Foreign currency translation		**(2,899)**	(34)
Other comprehensive income for the year, net of tax		**(1,330)**	354
Total comprehensive income for the year		**(186,327)**	37,555
(Loss)/profit for the year attributable to:			
Owners of the Company		**(80,441)**	31,024
Non-controlling interests		**(104,556)**	6,177
		(184,997)	37,201
Total comprehensive income attributable to:			
Owners of the Company		**(82,795)**	31,126
Non-controlling interests		**(103,532)**	6,429
		(186,327)	37,555
(Loss)/earnings per share attributable to owners of the Company (cents per share)			
Basic	8	**(14.2)**	5.5
Diluted	8	**(14.2)**	5.5

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS
AS AT 31 DECEMBER 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current assets					
Property, plant and equipment	9	**61,051**	77,838	**8,866**	15,346
Intangible assets	10	**2,754**	2,087	**2,476**	344
Investments					
Subsidiary companies	11	**–**	–	**54,089**	68,321
Associated companies	12	**2,189**	13,955	**5,699**	17,026
Others	13	**3,731**	2,161	**895**	895
Deferred tax assets	14	**480**	951	**–**	–
Other receivables	15	**8,990**	4,060	**8,990**	4,060
Prepaid loan appraisal fees	20	**730**	1,005	**–**	–
Current assets					
Gross amount due from customers for contract work-in-progress	16	**3,004**	43,030	**2,377**	8,336
Inventories	17	**5,402**	5,824	**–**	241
Prepaid operating expenses		**238**	1,314	**103**	168
Downpayments made to suppliers		**2,583**	8,513	**1**	283
Trade and other receivables	15	**199,689**	420,648	**114,729**	310,787
Foreign currency contracts	18	**–**	2,062	**–**	2,062
Cash and short-term deposits	19	**164,539**	116,893	**103,939**	55,939
		375,455	598,284	**221,149**	377,816
Current liabilities					
Income tax payable		**11,769**	13,707	**2,506**	3,189
Loans and borrowings	20	**72,039**	97,829	**26,877**	64,153
Gross amount due to customers for contract work-in-progress	16	**67,605**	62,404	**20,992**	45,203
Trade and other payables	21	**170,213**	196,444	**128,755**	125,426
Downpayments from customers		**9,665**	4,080	**4,332**	1,322
Foreign currency contracts	18	**52**	–	**52**	–
		331,343	374,464	**183,514**	239,293
Net current assets		**44,112**	223,820	**37,635**	138,523

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS
AS AT 31 DECEMBER 2012

	Note	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Non-current liabilities					
Deferred tax liabilities	14	**2,345**	2,642	**1,375**	1,807
Loans and borrowings	20	**11,180**	13,164	**–**	–
		(13,525)	(15,806)	**(1,375)**	(1,807)
Net assets		**110,512**	310,071	**117,275**	242,708
Equity attributable to owners of the Company					
Share capital	23(a)	**89,365**	89,365	**89,365**	89,365
Treasury shares	23(b)	**(161)**	–	**(161)**	–
Retained earnings		**106,270**	198,068	**28,071**	153,343
Other reserves	24	**(2,789)**	(441)	**–**	–
		192,685	286,992	**117,275**	242,708
Non-controlling interests		**(82,173)**	23,079	**–**	–
Total equity		**110,512**	310,071	**117,275**	242,708

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Group 2012	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Capital reserve $'000	Statutory reserve $'000	Foreign currency translation reserve $'000	Fair value adjustment reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to owners of the Company									
At 1 January 2012	**89,365**	**–**	**198,068**	**80**	**300**	**(1,742)**	**921**	**286,992**	**23,079**	**310,071**
Loss for the year	**–**	**–**	**(80,441)**	**–**	**–**	**–**	**–**	**(80,441)**	**(104,556)**	**(184,997)**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**(3,923)**	**1,569**	**(2,354)**	**1,024**	**(1,330)**
Total comprehensive income for the year	**–**	**–**	**(80,441)**	**–**	**–**	**(3,923)**	**1,569**	**(82,795)**	**(103,532)**	**(186,327)**
<u>Contributions by and distributions to owners</u>										
Purchase of treasury shares (Note 23(b))	**–**	**(161)**	**–**	**–**	**–**	**–**	**–**	**(161)**	**–**	**(161)**
Dividends on ordinary shares (Note 32)	**–**	**–**	**(11,357)**	**–**	**–**	**–**	**–**	**(11,357)**	**–**	**(11,357)**
Total contributions by and distributions to owners	**–**	**(161)**	**(11,357)**	**–**	**–**	**–**	**–**	**(11,518)**	**–**	**(11,518)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,682)**	**(1,682)**
<u>Changes in ownership interests in subsidiaries</u>										
Acquisition of non-controlling interest (Note 11)	**–**	**–**	**–**	**6**	**–**	**–**	**–**	**6**	**(38)**	**(32)**
At 31 December 2012	**89,365**	**(161)**	**106,270**	**86**	**300**	**(5,665)**	**2,490**	**192,685**	**(82,173)**	**110,512**

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Group 2011	Attributable to owners of the Company								
	Share capital $'000	Retained earnings $'000	Capital reserve $'000	Statutory reserve $'000	Foreign currency translation reserve $'000	Fair value adjustment reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2011	89,365	194,301	80	300	(1,456)	533	283,123	16,710	299,833
Profit for the year	–	31,024	–	–	–	–	31,024	6,177	37,201
Other comprehensive income for the year	–	–	–	–	(286)	388	102	252	354
Total comprehensive income for the year	–	31,024	–	–	(286)	388	31,126	6,429	37,555
Contributions by and distributions to owners									
Dividends on ordinary shares (Note 32)	–	(27,257)	–	–	–	–	(27,257)	–	(27,257)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(60)	(60)
At 31 December 2011	89,365	198,068	80	300	(1,742)	921	286,992	23,079	310,071

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

Company 2012	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Total equity $'000
At 1 January 2012	**89,365**	**–**	**153,343**	**242,708**
Loss for the year, representing total comprehensive income for the year	**–**	**–**	**(113,915)**	**(113,915)**
Contributions by and distributions to owners				
Purchase of treasury shares	**–**	**(161)**	**–**	**(161)**
Dividends on ordinary shares (Note 32)	**–**	**–**	**(11,357)**	**(11,357)**
Total transactions with owners in their capacity as owners	**–**	**(161)**	**(11,357)**	**(11,518)**
At 31 December 2012	**89,365**	**(161)**	**28,071**	**117,275**
Company 2011				
At 1 January 2011	89,365	–	148,809	238,174
Profit for the year, representing total comprehensive income for the year	–	–	31,791	31,791
Contributions by and distributions to owners				
Dividends on ordinary shares (Note 32)	–	–	(27,257)	(27,257)
Total transactions with owners in their capacity as owners	–	–	(27,257)	(27,257)
At 31 December 2011	89,365	–	153,343	242,708

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 $'000	2011 $'000
Operating activities			
(Loss)/profit before tax		**(181,945)**	42,598
Adjustments for:			
Allowance for doubtful debts	15	**109**	86
Allowance for doubtful debts written back	15	**(25)**	(48)
Amortisation of intangible assets	10	**1,030**	780
Amortisation of prepaid loan appraisal fees		**220**	221
Depreciation of property, plant and equipment	9	**14,767**	14,491
Dividends from quoted investments		**(47)**	(61)
Fair value loss on foreign currency contracts		**52**	291
Gain on disposal of associated companies	12	**(1,396)**	(604)
Gain on disposal of property, plant and equipment		**(233)**	(23)
Gain on dissolution of subsidiary		**–**	(1)
Impairment loss of advances to associated companies	15	**4,500**	–
Impairment loss of investments in associated companies	12	**7,500**	–
Impairment loss of available-for-sale financial assets written back	13	**(1,112)**	–
Interest expense		**2,423**	1,144
Interest income		**(993)**	(744)
Inventories written down	17	**66**	44
Share of results of associated companies		**2,345**	393
Operating cash flows before changes in working capital		**(152,739)**	58,567
Changes in working capital			
Decrease in prepaid operating expenses, downpayments made to suppliers and receivables		**209,105**	31,187
Decrease in inventories		**285**	2,329
Decrease/(increase) in contract work-in-progress		**44,976**	(77,530)
Decrease in payables		**(11,173)**	(55,249)
Cash flows from/(used in) operations		**90,454**	(40,696)
Interest received		**987**	755
Interest paid		**(2,423)**	(1,143)
Income tax paid		**(5,352)**	(8,718)
Net cash flows from/(used in) operating activities		**83,666**	(49,802)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 $'000	2011 $'000
Investing activities			
Additions to intangible assets	10	**(885)**	(504)
Dividends from associated companies		**480**	1,923
Dividends from quoted investments		**47**	61
Net cash inflow on acquisition of a subsidiary company	11	**–**	128
Proceeds from capital reduction of available-for-sale financial assets	13	**1,112**	–
Proceeds from disposal of property, plant and equipment		**3,172**	271
Proceeds from disposal of intangible assets	10	**1,305**	–
Proceeds from disposal of associated companies	12	**2,045**	1,195
Purchase of property, plant and equipment	9	**(5,641)**	(15,635)
Net cash flows from/(used in) investing activities		**1,635**	(12,561)
Financing activities			
Acquisition of non-controlling interests	11	**(32)**	–
Purchase of treasury shares	23(b)	**(161)**	–
(Repayment of)/proceeds from bank loans and trade facilities, net		**(25,111)**	72,367
Dividends paid:			
- by the Company	32	**(11,357)**	(27,257)
- by subsidiaries to non-controlling interests		**(1,682)**	(60)
Repayment of finance lease obligations, net		**(56)**	(184)
Net cash flows (used in)/from financing activities		**(38,399)**	44,866
Net increase/(decrease) in cash and cash equivalents		**46,902**	(17,497)
Effect of exchange rate changes on cash and cash equivalents		**739**	(257)
Cash and cash equivalents at 1 January	19	**116,784**	134,538
Cash and cash equivalents at 31 December	19	**164,425**	116,784

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

1. CORPORATE INFORMATION

Rotary Engineering Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at No. 17, Tuas Avenue 20, Singapore 638828.

The principal activities of the Company are engineering design, procurement and construction services for plants and associated facilities. The principal activities of the subsidiaries are disclosed in Note 4 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000) as indicated.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards that are effective for annual periods beginning on or after 1 January 2012. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but are not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
FRS 113 *Fair Value Measurement*	1 January 2013
Amendments to FRS 107 *Disclosures – Offsetting Financial Assets and Financial Liabilities*	1 January 2013
Improvements to FRSs 2012	
- Amendment to FRS 1 *Presentation of Financial Statements*	1 January 2013
- Amendment to FRS 16 *Property, Plant and Equipment*	1 January 2013
- Amendment to FRS 32 *Financial Instruments: Presentation*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2014
Revised FRS 28 *Investments in Associates and Joint Ventures*	1 January 2014
FRS 110 *Consolidated Financial Statements*	1 January 2014
FRS 111 *Joint Arrangements*	1 January 2014
FRS 112 *Disclosure of Interests in Other Entities*	1 January 2014
Amendments to FRS 32 *Offsetting Financial Assets and Financial Liabilities*	1 January 2014

Except for the Amendments to FRS 1 and FRS 112, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the Amendments to FRS 1 and FRS 112 are described below.

Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*

The Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income* (OCI) is effective for financial periods beginning on or after 1 July 2012.

The Amendments to FRS 1 changes the grouping of items presented in OCI. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. As the Amendments only affect the presentations of items that are already recognised in OCI, the Group does not expect any impact on its financial position or performance upon adoption of this standard.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 *Disclosure of Interests in Other Entities* is effective for financial periods beginning on or after 1 January 2014.

FRS 112 is a new and comprehensive standard on disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. FRS 112 requires an entity to disclose information that helps users of its financial statements to evaluate the nature and risks associated with its interests in other entities and the effects of those interests on its financial statements. As this is a disclosure standard, it will have no impact to the financial position and financial performance of the Group when implemented in 2014.

2.4 Basis of consolidation

Basis of consolidation from 1 January 2010

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances. When the end of the reporting period of the Company is different from that of a subsidiary, the subsidiary prepares, for consolidation purposes, additional financial statements as of the same date as the financial statements of the Company, unless it is impracticable to do so.

Where it is impracticable to do so, the Company may use the financial statements of a subsidiary prepared as of a reporting date different from that of the Company, provided adjustments are made for the effects of significant transactions or events that occur between that date and the date of the Company's financial statements, and the difference between the reporting dates of the subsidiary and the Company is no more than three months. In addition, the length of the reporting periods and any difference in the reporting dates shall be the same from period to period.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010 (cont'd)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisitions of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.

- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 has not been restated.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Foreign currency

The Group's consolidated financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements (cont'd)

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, leasehold land, leasehold buildings, office renovations, office equipment, furniture and fittings, motor vehicles, plant and machinery, and other assets are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (cont'd)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land	–	over period of the lease of 30 to 50 years
Leasehold buildings	–	over period of the lease of 20 to 50 years
Office renovations	–	5 to 10 years
Office equipment, furniture and fittings	–	3 to 10 years
Plant and machinery	–	5 to 10 years
Motor vehicles	–	5 years
Other assets	–	3 to 10 years

Other assets comprise electrical equipment, containers, air conditioners and hand tools.

Assets under construction included in construction-in-progress are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

2.8 Intangible assets

(a) Goodwill

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Intangible assets (cont'd)

(a) Goodwill (cont'd)

The cash-generating unit to which goodwill has been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

(b) Other intangible assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Intangible assets (cont'd)

(b) Other intangible assets (cont'd)

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(i) Software

Software acquired separately is amortised on a straight line basis over its finite useful life of 3 years.

(ii) Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

Impairment losses of continuing operations are recognised in profit or loss in those expense categories consistent with the function of the impaired asset, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. An associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associates are accounted for using the equity method. Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to associates is included in the carrying amount of the investment and is neither amortised nor tested individually for impairment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is included as income in the determination of the Group's share of results of the associate in the period in which the investment is acquired.

The profit or loss reflects the share of the results of operations of the associates. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associates.

The Group's share of the profit or loss of its associates is the profit attributable to equity holders of the associate and, therefore is the profit or loss after tax and non-controlling interests in the subsidiaries of associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial assets (cont'd)

(b) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(c) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial assets (cont'd)

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

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31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of financial assets (cont'd)

(b) Financial assets carried at cost

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(c) Available-for-sale financial assets

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, and short-term deposits. These also include bank overdrafts that form an integral part of the Group's cash management.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred. An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the stage of completion as determined by reference to the professional judgment of project engineers on amount of work performed.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract include (where applicable): site labour and supervision costs; costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:
- Separate proposals have been submitted for each asset
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset
- The costs and revenues of each asset can be identified

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 Construction contracts (cont'd)

A group of contracts are treated as a single construction contract when:

- The group of contracts are negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin
- The contracts are performed concurrently or in a continuous sequence

2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for using purchase costs on a weighted average cost formula.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.17 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Financial liabilities (cont'd)

(a) Financial liabilities at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(b) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.18 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Employee benefits

(a) Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

(c) Employee share option plans

Employees of the Group receive remuneration in the form of share options as consideration for services rendered. The cost of these equity-settled share based payment transactions with employees for awards granted after 22 November 2002 is measured by reference to the fair value of the options at the date on which the options are granted which takes into account market conditions and non-vesting conditions. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised as at the beginning and end of that period and is recognised in employee benefits expense.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market condition or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. In the case where the option does not vest as the result of a failure to meet a non-vesting condition that is within the control of the Group or the employee, it is accounted for as a cancellation. In such case, the amount of the compensation cost that otherwise would be recognised over the remainder of the vesting period is recognised immediately in profit or loss upon cancellation. The employee share option reserve is transferred to retained earnings upon expiry of the share option.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of services

Revenue from construction contracts is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to the professional judgment of project engineers on amount of work performed. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

Revenue from other services provided to customers is recognised in the period in which the service is provided.

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Taxes (cont'd)

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it incurred during the measurement period or in profit or loss.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.25 Treasury shares

The Group's own equity instruments, which are re-acquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.26 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amount of the Group's income tax payables, income tax recoverable, deferred tax assets and deferred tax liabilities at the end of the reporting period were $11,769,000 (2011: $13,707,000), $846,000 (2011: $60,000), $480,000 (2011: $951,000) and $2,345,000 (2011: $2,642,000) respectively.

(b) Impairment of available-for-sale financial assets

The Group records impairment charges on available-for-sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is "significant" or "prolonged" requires judgment. In making this judgment, the Group evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost. No impairment loss was recognised for available-for-sale financial assets during the years ended 31 December 2012 and 2011.

(c) Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Useful lives of plant and equipment

The cost of plant and equipment is depreciated on a straight-line basis over the plant and equipment's estimated economic useful lives. Management estimates the useful lives of these plant and equipment to be within 3 to 10 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's plant and equipment at the end of the reporting period is disclosed in Note 9 to the financial statements.

(b) Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 14 to the financial statements.

(c) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the professional judgment of project engineers on the amount of work performed. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the end of the reporting period are disclosed in Note 16 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(d) Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group company's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying value of recognised and unrecognised tax losses at 31 December 2012 were $1,838,000 (2011: $3,706,000) and $225,034,000 (2011: $4,874,000) respectively.

4. GROUP COMPANIES

The subsidiary and associated companies at 31 December 2012 are:

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2012	2011
Subsidiary companies held by the Company:			
Rotary Electrical & Instrumentation Pte. Ltd. (1) (Singapore)	Electrical and engineering contractor and supplier	**100.0**	100.0
Rotary Mechanical and Construction Company (Private) Limited (1) (Singapore)	Contractor in mechanical piping and related works	**100.0**	100.0
Supermec Private Limited (1) (Singapore)	Insurance broker and electrical and engineering material traders	**60.0**	60.0

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2012	2011
Subsidiary companies held by the Company (cont'd):			
ShopGlobal Pte. Ltd. [1] (Singapore)	Dormant	**100.0**	100.0
P.T. Rotary MECOM [4] (Indonesia)	Dormant	**70.0**	70.0
Rotary Electrical Company (Private) Limited [1] (Singapore)	Dormant	**100.0**	100.0
Sixty-Six Switchgears Co Pte Ltd [1] (Singapore)	Electrical testing and testing of switchgear	**60.0**	60.0
Innovative Biotech Pte Ltd [1][7] (Singapore)	Trading of medical products and equipment	**99.7**	97.6
Fushun Rotary Engineering Co Ltd [4] (People's Republic of China)	Dormant	**90.0**	90.0
Rotary Engineering (Australia) Pty Ltd [4] (Australia)	Dormant	**100.0**	100.0
Rotary TREL Pte Ltd [1] (Singapore)	Investment holding	**100.0**	100.0
PT. Rotary Engineering Indonesia [2)(a)] (Indonesia)	Steel fabrication and construction	**100.0**	100.0
Rotary MEC Engineering (India) Private Limited [2][b] (India)	Engineering design, procurement and construction services for plants and associated facilities	**100.0**	100.0
Thai Rotary Engineering Public Company Limited [3][5] (Thailand)	Engineering design and construction works	**91.9**	91.9
Calvert Limited [3] (Thailand)	Investment holding	**90.6**	90.6

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2012	2011
Subsidiary companies held by the Company (cont'd):			
Rotary IMC Pte Ltd [1] (Singapore)	Provision of integrated maintenance services	**100.0**	100.0
Rotary Engineering (Shanghai) Co., Ltd. [2][c] (People's Republic of China)	Executing turnkey and EPC projects	**100.0**	100.0
Rotary International Trading (Shanghai) Co., Ltd. [2][c] (People's Republic of China)	Construction and engineering related materials and equipment as well as provision of trading agency and services	**100.0**	100.0
Rotary Automation Pte. Ltd. [1] (Singapore)	Dormant	**100.0**	100.0
Rotary Engineering (Dalian) Co., Ltd. [2][c] (People's Republic of China)	Provide engineering design, management, construction and advisory services; engineering personnel and worker training services	**100.0**	100.0
BuildGlobal Pte. Ltd. [1] (Singapore)	Dormant	**100.0**	100.0
ROIL Pte. Ltd. [formerly known as Rotary Process Solutions Pte. Ltd.] [1] (Singapore)	Investment holding	**100.0**	100.0
Petrol Steel Company Limited [3] (Saudi Arabia)	Engineering, procurement and construction services for storage tanks of oil & gas, petroleum and petrochemical plants	**51.0**	51.0
Rotary Arabia Company Limited [3] (Saudi Arabia)	Construction works, maintenance and providing professionals and engineers in relation to engineering, procurement, construction and commissioning of the refinery tanks	**51.0**	51.0

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2012	2011
Subsidiary companies held by the Company (cont'd):			
Singlobal (M) Sdn. Bhd. [2][d] (Malaysia)	Engineering, design, procurement and construction services for plants and associated facilities	**100.0**	100.0
Rotary Logistics Pte. Ltd. [1] (Singapore)	"One-stop shop" logistics provider offering integrated warehousing, material logistics, procurement and total supply chain management services	**100.0**	100.0
REL-TREL Joint Venture [3][6] (Thailand)	Engineering design and construction works	**93.9**	93.9
Rotary Engineering Fujairah FZE [4] (United Arab Emirates)	Engineering, procurement and construction services for storage tanks of oil & gas, petroleum and petrochemical plants	**100.0**	100.0
Singfloat Pte. Ltd. [1][8] (Singapore)	Investment holding	**100.0**	–
Roar Asset Management Pte. Ltd. [1][9] (Singapore)	Dormant	**100.0**	–
Held by subsidiary companies:			
PT. Rotary Engineering South East Asia [2][e] (Indonesia)	Engineering, design, procurement and construction services for plants and associated facilities	**95.0**	95.0
Rotary-Thai Construction Pte. Ltd. [1] (Singapore)	Contractor in engineering and scaffolding works	**91.9**	91.9
Supermec Vietnam Co., Ltd [2][f] (Vietnam)	Importing, exporting and distribution of ex-proof lightings and equipment, cables and cable support system, heat tracing materials, valves, piping and fittings and other related products	**100.0**	100.0

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2012	2011
Held by subsidiary companies (cont'd):			
Supermec (M) Sdn. Bhd. [3] (Malaysia)	Trading in electrical and engineering materials	**100.0**	100.0

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by other firms
 (a) Jamaludin, Aria, Sukimto & Rekan, Indonesia
 (b) Sudhakar Pai Associates, Chartered Accountants, India
 (c) Dalian Orient Certified Public Accountants Co., Ltd., China
 (d) Deloitte & Touche, Chartered Accountants, Malaysia
 (e) Anwar and Rekan, Indonesia
 (f) Auditing and Informatic Services Company Limited, Vietnam
(3) Audited by member firms of Ernst & Young Global in the respective countries
(4) Not required to be audited under the laws of the country of incorporation
(5) The Company holds a direct interest of 48.6% in the subsidiary. The balance interest is held through a subsidiary.
(6) REL-TREL Joint Venture ("the Joint Venture") was formed under the Joint Venture Agreement dated 8 May 2009. The objective of the Joint Venture is to render design and construction services of storage tank and facilities under a construction agreement dated 30 October 2009. The profits and losses of the Joint Venture are shared between the Company and Thai Rotary Engineering Public Company Limited ("TREL") in the proportion of 25% - 75%.
(7) During the year, the Company acquired an additional 2.1% equity interest in Innovative Biotech Pte Ltd for a consideration of $32,000.
(8) The wholly owned subsidiary was incorporated on 30 July 2012.
(9) The wholly owned subsidiary was incorporated on 27 March 2012.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2012	2011
Associated companies held by the Company:			
Rotary MEC (M) Sdn. Bhd. [(2)(a)] (Malaysia)	Engineering works	**49.0**	49.0
Jasinusa Automobile Pte. Ltd. [(1)] (Singapore)	Investment holding	**25.0**	25.0
Tiong Woon China Consortium Pte. Ltd. [(2)(b) (3)] (Singapore)	Provision of heavy lift, equipment installation, project engineering, heavy haulage and marine transportation services	**25.0**	25.0
Eastlog Holding Pte. Ltd. [(2)(c)] (Singapore)	Investment holding	**20.0**	20.0
Jinzhou Everthriving Logistics Co., Ltd. [(2)(d)] (People's Republic of China)	Transport and sale of liquefied natural gas	**45.0**	45.0
Harvest E & I Engineering Sdn Bhd [(4)] (Malaysia)	Electrical works in process plant, construction, engineering, services, suppliers, repair of ships, tankers and ocean going-vessels and general trading	**–**	40.0
Itro Pte. Ltd. [(1)] (Singapore)	Build, operate and own an industrial waste treatment plant that generates steam energy	**40.0**	40.0
Associated companies held by subsidiary companies:			
RSK Engineering Co Pte Ltd [(6)] (Singapore)	Pipe fabrication services	**40.0**	40.0
Rotary Techskill India Private Limited [(5)] (India)	Testing and certification of workers in mechanical works	**–**	20.0
iPromar (Pte.) Ltd. [(2)(e)] (Singapore)	Process plant engineering services	**25.0**	25.0

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

4. GROUP COMPANIES (CONT'D)

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by other firms
  (a) Deloitte & Touche, Chartered Accountants, Malaysia
  (b) PricewaterhouseCoopers LLP, Singapore
  (c) GohThienChee & Co, Singapore
  (d) Liaoning Huawei Accountant's Company Ltd, China
  (e) Akber Ali & Co., Singapore
(3) The financial year of the Company ends on 30 June
(4) During the year, the Company disposed its entire interest in Harvest E & I Engineering Sdn Bhd for a consideration of $653,000.
(5) During the year, a subsidiary company disposed its entire interest in Rotary Teckskill India Private Limited for a consideration of $1,392,000.
(6) RSK Engineering Co Pte Ltd is in the process of members' voluntary winding up.

5. REVENUE

	Group 2012 $'000	2011 $'000
Services	**429,119**	511,772
Sales of goods	**15,348**	19,097
	444,467	530,869

6. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS

This is stated after (charging)/crediting:

	Group 2012 $'000	2011 $'000
Other income		
Gain on disposal of property, plant and equipment	**233**	23
Gain on disposal of associated companies (Note 12)	**1,396**	604
Gain on dissolution of subsidiary	**–**	1
Dividends from quoted investments	**47**	61
Interest income		
- Associated companies (Note 25a)	**4**	6
- Cash and short-term deposits	**982**	738
- Others	**7**	–

6. (LOSS)/PROFIT BEFORE TAX FROM CONTINUING OPERATIONS (CONT'D)

	Group	
	2012 $'000	2011 $'000
Audit fees paid to:		
- Auditor of the Company	**(273)**	(261)
- Other auditors	**(138)**	(144)
Non-audit fees paid to:		
- Auditor of the Company	**(69)**	(92)
- Other auditors	**(803)**	(566)
Depreciation of property, plant and equipment (Note 9)	**(14,767)**	(14,491)
Amortisation of intangible assests (Note 10)	**(1,030)**	(780)
Allowance for doubtful debts (Note 15)	**109**	86
Allowance for doubtful debts written back (Note 15)	**(25)**	(48)
Amortisation of prepaid loan appraisal fees	**(220)**	(221)
Employee benefits expense (including executive directors):		
Salaries, bonuses and other benefits	**(70,779)**	(81,294)
Central Provident Fund contributions	**(3,195)**	(4,069)
Other short-term benefits	**(10,328)**	(17,032)
	(84,302)	(102,395)
Fair value loss on foreign currency contracts	**(52)**	(291)
Finance charges payable under finance lease	**(6)**	(9)
Impairment loss of available-for-sale financial assets written back (Note 13)	**1,112**	–
Impairment loss of advances to associated companies (Note 15)	**(4,500)**	–
Impairment loss of investments in associated companies (Note 12)	**(7,500)**	–
Interest expense on loans and borrowings (including bank overdrafts)	**(2,417)**	(1,135)
Inventories written down (Note 17)	**(66)**	(44)
Loss on foreign exchange	**(5,087)**	(6,288)

7. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2012 and 2011 are:

	Group	
	2012 $'000	2011 $'000
Current income tax		
- Current year		
Singapore	**2,787**	4,639
Foreign	**112**	3,076
	2,899	7,715
- Under/(over) provision in respect of previous years	**19**	(1,900)
	2,918	5,815
Deferred income tax		
- Origination and reversal of temporary differences	**82**	(766)
- Effect of a change in tax rate	**52**	348
	134	(418)
Income tax expense recognised in profit or loss	**3,052**	5,397

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7. INCOME TAX EXPENSE (CONT'D)

(b) Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2012 and 2011 is as follows:

	Group	
	2012 $'000	**2011 $'000**
(Loss)/profit before tax	**(181,945)**	42,598
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(37,243)**	8,183
Adjustments:		
Non-deductible expenses	**4,108**	1,411
Income not subject to taxation	**(447)**	(528)
Effect of Development & Expansion Incentive on qualifying transactions	**(4,203)**	(1,773)
Effect of a change in tax rate	**52**	348
Effect of partial tax exemption and tax relief	**(3,510)**	(483)
Benefits from previously unrecognised deferred tax assets	**(52)**	(422)
Deferred tax assets not recognised	**43,966**	628
Under/(over) provision in respect of previous years	**19**	(1,900)
Share of results of associated companies	**362**	(67)
Income tax expense recognised in profit or loss	**3,052**	5,397

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Company is granted the Development & Expansion Incentive under the International Headquarters Award, which income from qualifying transactions, in excess of the average corresponding income ("base"), are taxed at the concessionary rate of 5% for a period up to 31 December 2014. The base of $2,400,000 as well as income from non-qualifying activities shall be taxed at the normal corporate tax rate.

8. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share are calculated by dividing loss for the year attributable to owners of the Company amounting to $80,441,000 (2011: profit for the year attributable to owners of the Company amounting to $31,024,000) by the weighted average number of ordinary shares outstanding during the financial year of 567,671,000 (2011: 567,854,000). The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year. There is no dilutive (loss)/earnings per share as there were no outstanding options at the beginning and the end of the year nor any options issued during the years ended 31 December 2012 and 2011.

There have been no transactions involving ordinary shares or potential ordinary shares since the reporting date and before the completion of these financial statements.

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9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land $'000	Leasehold land $'000	Leasehold buildings $'000	Office renovations $'000	Office equipment, furniture and fittings $'000	Motor vehicles $'000	Plant and machinery $'000	Other assets $'000	Construction-in-progress $'000	Total $'000
Cost:										
At 1 January 2011	645	2,640	51,810	3,247	13,644	8,690	48,598	9,544	2,268	141,086
Additions	–	–	815	280	657	287	10,717	2,854	25	15,635
Disposals	–	–	(40)	(118)	(42)	(173)	(345)	(131)	(10)	(859)
Reclassification	294	(294)	(2,671)	(478)	(47)	236	1,802	1,189	(31)	–
Currency realignment	(31)	(1)	221	21	(263)	(26)	(435)	(182)	(3)	(699)
At 31 December 2011 and 1 January 2012	**908**	**2,345**	**50,135**	**2,952**	**13,949**	**9,014**	**60,337**	**13,274**	**2,249**	**155,163**
Additions	**–**	**–**	**822**	**137**	**745**	**1,140**	**2,056**	**378**	**560**	**5,838**
Disposals	**–**	**–**	**(3,204)**	**–**	**(296)**	**(1,060)**	**(1,492)**	**(508)**	**(32)**	**(6,592)**
Transfer to intangible assets (Note 10)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,226)**	**(2,226)**
Reclassification	**–**	**–**	**(40)**	**–**	**103**	**(103)**	**124**	**(84)**	**–**	**–**
Currency realignment	**(22)**	**(196)**	**(1,525)**	**(35)**	**(167)**	**(78)**	**(2,594)**	**(358)**	**(5)**	**(4,980)**
At 31 December 2012	**886**	**2,149**	**46,188**	**3,054**	**14,334**	**8,913**	**58,431**	**12,702**	**546**	**147,203**

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land $'000	Leasehold land $'000	Leasehold buildings $'000	Office renovations $'000	Office equipment, furniture and fittings $'000	Motor vehicles $'000	Plant and machinery $'000	Other assets $'000	Construction-in-progress $'000	Total $'000
Accumulated depreciation and impairment loss:										
At 1 January 2011	–	583	13,550	1,996	10,432	5,458	24,047	7,954	–	64,020
Charge for the year	–	10	2,035	314	1,489	1,244	8,188	1,211	–	14,491
Disposals	–	–	(15)	(115)	(40)	(154)	(173)	(114)	–	(611)
Reclassification	–	(196)	(403)	(571)	(34)	(52)	29	1,227	–	–
Currency realignment	–	(1)	(13)	22	(273)	(24)	(308)	22	–	(575)
At 31 December 2011 and 1 January 2012	–	396	15,154	1,646	11,574	6,472	31,783	10,300	–	77,325
Charge for the year	–	–	1,848	266	1,448	1,178	8,957	1,070	–	14,767
Disposals	–	–	(460)	–	(284)	(946)	(1,438)	(501)	–	(3,629)
Reclassification	–	–	(17)	–	79	(102)	124	(84)	–	–
Currency realignment	–	(71)	(384)	(21)	(140)	(56)	(1,406)	(233)	–	(2,311)
At 31 December 2012	–	325	16,141	1,891	12,677	6,546	38,020	10,552	–	86,152
Net carrying amount:										
At 31 December 2012	886	1,824	30,047	1,163	1,657	2,367	20,411	2,150	546	61,051
At 31 December 2011	908	1,949	34,981	1,306	2,375	2,542	28,554	2,974	2,249	77,838

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold buildings $'000	Office renovations $'000	Office equipment, furniture and fittings $'000	Motor vehicles $'000	Plant and machinery $'000	Other assets $'000	Construction-in-progress $'000	Total $'000
Cost:								
At 1 January 2011	10,304	1,532	9,153	3,264	–	13,509	–	37,762
Additions	–	23	252	–	–	5	–	280
Disposals	–	–	–	(11)	(254)	–	–	(265)
Reclassification	–	–	–	–	9,051	(11,242)	2,191	–
At 31 December 2011 and 1 January 2012	10,304	1,555	9,405	3,253	8,797	2,272	2,191	37,777
Additions	–	30	425	6	42	5	–	508
Disposals	–	–	(93)	(2,890)	(6,165)	–	–	(9,148)
Transfer to intangible assets (Note 10)	–	–	–	–	–	–	(2,191)	(2,191)
At 31 December 2012	10,304	1,585	9,737	369	2,674	2,277	–	26,946
Accumulated depreciation and impairment loss:								
At 1 January 2011	3,500	537	7,250	2,309	–	6,302	–	19,898
Charge for the year	210	128	893	401	879	33	–	2,544
Disposals	–	–	–	(11)	–	–	–	(11)
Reclassification	–	–	–	–	4,104	(4,104)	–	–
At 31 December 2011 and 1 January 2012	3,710	665	8,143	2,699	4,983	2,231	–	22,431
Charge for the year	206	136	842	216	805	22	–	2,227
Disposals	–	–	(93)	(2,552)	(3,933)	–	–	(6,578)
At 31 December 2012	3,916	801	8,892	363	1,855	2,253	–	18,080
Net carrying amount:								
At 31 December 2012	6,388	784	845	6	819	24	–	8,866
At 31 December 2011	6,594	890	1,262	554	3,814	41	2,191	15,346

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9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) During the year, the Group acquired motor vehicles and office equipment with an aggregate cost of $208,000 (2011: $nil) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to $5,630,000 (2011: $15,635,000).

Carrying amount of plant and equipment held under finance leases at the end of the reporting period is as follows:

	Group	
	2012 $'000	2011 $'000
Motor vehicles	**150**	52
Office equipment	**11**	–
Plant and machinery	**–**	39
	161	91

Leased assets are pledged as security for the related finance lease liabilities.

(b) In addition to assets held under finance leases, leasehold land, building and plant and equipment of a subsidiary with a carrying amount of $16,745,000 (2011: $22,633,000) are mortgaged to secure the subsidiary's bank loans (Note 20).

(c) The followings are the major properties of the Group:

Located in Singapore:

(i) A 3-hangar workshop building and a 3-storey office building located at 17 Tuas Avenue 20 on a leasehold land area of 19,863 sqm (30 years from 1 January 1992 with renewal option of 30 years).
(ii) A JTC Type 4 single-storey corner terrace with extended mezzanine office floor at 2 Gul Street 2 on a leasehold land area of 1,610 sqm (30 years from 6 August 2008).
(iii) A building on a leasehold land area of 27,027 sqm in Jurong Island for industrial use (30 years from 1 April 1999).
(iv) A terrace workshop with extended mezzanine floor at 19 Pioneer Road North on a leasehold land area of 157 sqm (30 years from 1 January 1995).

Located overseas:

(i) A leasehold land and building with a land area of 120,000 sqm in Batam, Indonesia for industrial use (30 years from 1996).
(ii) A freehold land and workshop building with a land area of 95,464 sqm in Banchang Rayang, Thailand for industrial use.
(iii) A leasehold land with an area of 64,942.9 sqm in Jubail, Saudi Arabia for industrial use (10 years from 2006).
(iv) An industrial property in Malaysia with a leasehold land area of 669 sqm with existing office, factory and ancillary buildings located at No. 16 Jalan PJS 7/21 Bandar Sunway, 46150 Petaling Jaya, Selangor (50 years from 2009).
(v) An office building on a land area of 739 sqm in Bangalore, India.

NOTES TO THE FINANCIAL STATEMENTS
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10. INTANGIBLE ASSETS

	Group			Company
	Software $'000	Land use right $'000	Total $'000	Software $'000
Cost:				
At 1 January 2011	3,507	1,509	5,016	2,592
Additions	504	–	504	355
Currency realignment	294	3	297	–
At 31 December 2011 and 1 January 2012	**4,305**	**1,512**	**5,817**	**2,947**
Additions	**885**	**–**	**885**	**738**
Disposals	**–**	**(1,438)**	**(1,438)**	**–**
Transfer from construction-in-progress (Note 9)	**2,226**	**–**	**2,226**	**2,191**
Currency realignment	**(83)**	**(74)**	**(157)**	**–**
At 31 December 2012	**7,333**	**–**	**7,333**	**5,876**
Accumulated amortisation and impairment loss:				
At 1 January 2011	2,658	93	2,751	2,057
Amortisation for the year	751	29	780	546
Currency realignment	197	2	199	–
At 31 December 2011 and 1 January 2012	**3,606**	**124**	**3,730**	**2,603**
Amortisation for the year	**1,015**	**15**	**1,030**	**797**
Disposals	**–**	**(133)**	**(133)**	**–**
Currency realignment	**(42)**	**(6)**	**(48)**	**–**
At 31 December 2012	**4,579**	**–**	**4,579**	**3,400**
Net carrying amount:				
At 31 December 2012	**2,754**	**–**	**2,754**	**2,476**
At 31 December 2011	699	1,388	2,087	344

During the year, the Group disposed land use right in People's Republic of China (PRC) for a consideration of $1,305,000 (2011: $nil).

The amortisation of software and land use right is included in the 'Other operating costs' line item in consolidated statement of comprehensive income. The software has an average remaining amortisation period of 3 years (2011: 3 years)

NOTES TO THE FINANCIAL STATEMENTS
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11. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company	
	2012 $'000	2011 $'000
Unquoted equity shares, at cost	**70,631**	70,349
Less: Impairment losses	**(16,542)**	(2,028)
	54,089	68,321

Details of the subsidiary companies are set out in Note 4 to the financial statements.

Acquisition of subsidiary

In 2011, the Company acquired an additional 1% equity interest in its 50% owned associated company, Rotary Arabia Co. Ltd. ("RACL"), a provider of engineering and procurement services with primary focus in the electrical and instruments aspects in Saudi Arabia. Upon the acquisition, RACL became a subsidiary of the Group.

The Group has elected to measure the non-contolling interest at the non-controlling interest's proportionate share of RACL's net identifiable assets.

The fair value of the identifiable assets and liabilities of RACL as at the acquisition date were:

	Fair value recognised on acquisition $'000
Gross amount due from customers for contract work-in-progress	1,715
Trade and other receivables	2
Cash and short-term deposits	128
Trade and other payables	(2,077)
Total identifiable net liabilities at fair value	(232)
Non-controlling interest measured at the non-controlling interest's proportionate share of RACL's net identifiable liabilities	(114)
	(118)
Consideration transferred for the acquisition of RACL	
Cash paid	–
Fair value of equity interest in RACL held by the Group immediately before the acquisition	(118)
	(118)

NOTES TO THE FINANCIAL STATEMENTS
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11. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

	Fair value recognised on acquisition $'000
Effect of the acquisition of RACL on cash flows	
Total consideration for 1% equity interest acquired	–
Less: Cash and short-term deposits of subsidiary company acquired	(128)
Net cash inflow on acquisition	128

Loss on remeasuring previously held equity interest in RACL to fair value at acquisition date

The Group recognised a loss of $34,000 as a result of measuring at fair value its 50% equity interest in RACL held before the business combination. The loss is included in the "General and administrative costs" line item in the Group's profit or loss for the year ended 31 December 2011.

Impact of the acquisition on profit or loss

From the acquisition date to 31 December 2011, RACL has not contributed any revenue but contributed $92,000 to the Group's profit for the year ended 31 December 2011. If the business combination had taken place at the beginning of the year, revenue and the Group's profit for the year ended 31 December 2011 would remain unchanged.

Acquisition of non-controlling interests

On 20 February 2012, the Company acquired an additional 2.1% equity interest in Innovative Biotech Pte Ltd from its non-controlling interests for a cash consideration of $32,000. The carrying value of the net assets of Innovative Biotech Pte Ltd at 29 February 2012 was $1,822,000 and the carrying value of the additional interest acquired was $38,000. The difference of $6,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Discount received on acquisition of non-controlling interests" within equity.

The following summarises the effect of the change in the Group's ownership interest in Innovative Biotech Pte Ltd on the equity attributable to owners of the Company:

	$'000
Consideration paid for acquisition of non-controlling interests	32,000
Decrease in equity attributable to non-controlling interests	(38,000)
Increase in equity attributable to owners of the Company	(6,000)

Impairment testing of investments in subsidiary companies

An impairment loss of $14,514,000 (2011: $92,000) was recognised for the year ended 31 December 2012 to write off carrying amounts in certain subsidiaries which are in net capital deficit position and to write down certain subsidiaries, which have been persistently making losses, to their net asset value.

NOTES TO THE FINANCIAL STATEMENTS
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12. INVESTMENTS IN ASSOCIATED COMPANIES

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Unquoted equity shares, at cost	**28,199**	28,294	**27,954**	28,042
Impairment losses	**(14,516)**	(7,016)	**(22,255)**	(11,016)
	13,683	21,278	**5,699**	17,026
Share of post-acquisition reserves	**(10,428)**	(7,036)	**–**	–
Currency realignment	**(1,066)**	(287)	**–**	–
Carrying value of investments	**2,189**	13,955	**5,699**	17,026

Details of the associated companies are set out in Note 4 to the financial statements.

During the year, the Group disposed of its interest in two (2011: two) associated companies for an aggregate consideration of $2,045,000 (2011:$1,195,000) and recognised a gain of $1,396,000 (2011: $604,000) in profit or loss.

An impairment loss of $7,500,000 (2011: $nil) was recognised for the year ended 31 December 2012 to write off the carrying value of an associated company as the associated company has been persistently making losses. At the Company's level, an impairment loss of $11,239,000 (2011:$nil) was recognised for the year ended 31 December 2012 to write off its cost of investment in this associated company.

NOTES TO THE FINANCIAL STATEMENTS
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12. INVESTMENTS IN ASSOCIATED COMPANIES (CONT'D)

The summarised financial information of the associated companies, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	Group	
	2012 $'000	**2011 $'000**
Assets and liabilities		
Current assets	**51,627**	47,983
Non-current assets	**65,292**	41,309
Total assets	**116,919**	89,292
Current liabilities	**64,615**	34,677
Non-current liabilities	**14,000**	7,382
Total liabilities	**78,615**	42,059
Results:		
Revenue	**70,040**	72,039
Loss for the year	**(5,874)**	(610)

13. OTHER INVESTMENTS

	Group		Company	
	2012 $'000	**2011 $'000**	**2012 $'000**	**2011 $'000**
Other investments, non-current				
Available-for-sale financial assets				
Unquoted equity investments	**1,264**	2,376	**1,264**	2,376
Less: Impairment losses	**(397)**	(1,509)	**(397)**	(1,509)
	867	867	**867**	867
Quoted shares, at fair value	**2,864**	1,294	**28**	28
	3,731	2,161	**895**	895

During the financial year, the Group reversed impairment loss of unquoted equity investments amounted to $1,112,000 (2011: $nil) upon receipt of proceeds from capital reduction for the same amount.

NOTES TO THE FINANCIAL STATEMENTS
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14. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	**(2,609)**	(3,023)	**(1,510)**	(1,942)
Deferred tax assets				
Unutilised tax losses	**460**	925	**–**	–
Provisions	**284**	407	**135**	135
	744	1,332	**135**	135
Net deferred tax liabilities	**(1,865)**	(1,691)	**(1,375)**	(1,807)
Disclosures in balance sheets:				
Deferred tax assets	**480**	951	**–**	–
Deferred tax liabilities	**(2,345)**	(2,642)	**(1,375)**	(1,807)
	(1,865)	(1,691)	**(1,375)**	(1,807)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $225,034,000 (2011: $4,874,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the reporting period, no deferred tax liability (2011: $nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $18,806,000 (2011: $28,487,000). The deferred tax liability is estimated to be $1,881,000 (2011: $2,259,000).

Tax consequences of proposed dividends

There are no income tax consequences (2011: $nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 32).

NOTES TO THE FINANCIAL STATEMENTS
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15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade and other receivables (current):				
Trade receivables				
- External parties	**109,929**	191,340	**46,218**	116,704
- Subsidiary companies	**–**	–	**1,911**	8,433
- Associated companies	**3,382**	7,709	**4,457**	3,674
Accrued revenue	**75,012**	209,403	**19,662**	84,002
Other receivables				
- Subsidiary companies (non-trade)	**–**	–	**40,125**	95,801
- Associated companies (non-trade)	**4,625**[(i)]	5,396	**311**	862
- External parties	**2,338**	2,495	**4**	93
Staff loan and advances	**1,118**	1,702	**124**	115
Sundry deposits	**2,292**	1,483	**1,333**	1,054
Recoverables	**983**	1,116	**574**	46
Interest receivables	**10**	4	**10**	3
	199,689	420,648	**114,729**	310,787
Other receivables (non-current):				
Other receivables				
- Associated companies (non-trade)	**17,646**	13,327	**17,646**	13,327
Less: Allowance for impairment	**(8,656)**	(9,267)	**(8,656)**	(9,267)
	8,990	4,060	**8,990**	4,060
Total trade and other receivables (current and non-current)	**208,679**	424,708	**123,719**	314,847
Add: Cash and short-term deposits (Note 19)	**164,539**	116,893	**103,939**	55,939
Total loans and receivables	**373,218**	541,601	**227,658**	370,786

(i) This amount is net of impairment loss made during the year amounting to $4,500,000 (2011: $nil) for a receivable due from an associated company with a nominal amount of $4,500,000 due to losses incurred by the associated company.

NOTES TO THE FINANCIAL STATEMENTS
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15. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables and accrued revenue denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Malaysian Ringgit	**123**	–	**–**	–
Pound Sterling	**637**	–	**–**	–
Saudi Riyal	**1,656**	–	**–**	–
Thai Baht	**11,062**	8,426	**–**	–
United States Dollar	**105,421**	334,691	**30,047**	170,472

Recoverables

Recoverables mainly relate to payment for purchases made on behalf of customers.

Related party balances and staff loans

Amounts due from subsidiary and associated companies included in current trade and other receivables are unsecured, repayable upon demand and are to be settled in cash. These amounts are non-interest bearing except for an amount of $49,923,000 in 2011 which carried interest at a rate of 5.5% per annum.

Non-current amounts due from associated companies are unsecured, have no repayment terms and are repayable only when the cash flow of the borrower permits. Accordingly, the fair values of these amounts are not determinable as the timing of the future cash flow arising from the amounts cannot be estimated reliably. These amounts are non-interest bearing except for loan amount of $5,498,000 and $3,105,000 (2011: $5,854,000 and $1,445,000) which bear interest at a rate of 8% and 10% (2011: 8% and 10%) per annum, respectively.

Staff loans are non-interest bearing for the first time disbursement only. Subsequent loans are charged at prime rates.

NOTES TO THE FINANCIAL STATEMENTS
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15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $14,212,000 (2011: $75,753,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	2012 $'000	2011 $'000
Trade receivables past due but not impaired:		
Lesser than 30 days	**9,488**	72,256
30 – 60 days	**2,447**	1,361
61 – 90 days	**1,907**	508
91 – 120 days	**250**	882
More than 120 days	**120**	746
	14,212	75,753

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2012 $'000	2011 $'000
Trade receivables – nominal amounts	**406**	321
Less : Allowance for impairment	**(406)**	(321)
	–	–
Movement in allowance accounts:		
At 1 January	**321**	359
Charge for the year	**109**	86
Written back	**(25)**	(48)
Currency realignment	**1**	(76)
At 31 December	**406**	321

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are impaired (cont'd)

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

16. GROSS AMOUNT DUE FROM/(TO) CUSTOMERS FOR CONTRACT WORK-IN-PROGRESS

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**1,471,134**	1,393,689	**723,940**	681,272
Less: Progress billings	**(1,535,735)**	(1,413,063)	**(742,555)**	(718,139)
	(64,601)	(19,374)	**(18,615)**	(36,867)
Presented as:				
Gross amount due from customers for contract work	**3,004**	43,030	**2,377**	8,336
Gross amount due to customers for contract work	**(67,605)**	(62,404)	**(20,992)**	(45,203)
	(64,601)	(19,374)	**(18,615)**	(36,867)
Retention sums on construction contract included in trade receivables	**62,218**	60,724	**33,714**	34,199

NOTES TO THE FINANCIAL STATEMENTS
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17. INVENTORIES

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Balance sheet:				
Raw materials, supplies and consumables	**5,052**	5,522	**–**	241
Trading goods	**350**	302	**–**	–
Total inventories at lower of cost and net realisable value	**5,402**	5,824	**–**	241

	Group	
	2012 $'000	2011 $'000
Income statement:		
Inventories recognised as an expense in "cost of sales"	**10,193**	14,256
Inventories recognised as an expense in "other operating costs" is inclusive of the following charge:		
- Inventories written down	**66**	44

18. FOREIGN CURRENCY CONTRACTS

	Group and Company					
	2012			2011		
	Contract / Notional Amount $'000	Assets $'000	Liabilities $'000	Contract / Notional Amount $'000	Assets $'000	Liabilities $'000
Forward currency contracts, representing total derivatives and total financial assets/(liabilities) at fair value through profit or loss	**42,760**	**–**	**(52)**	35,542	2,062	–

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of the reporting period, extending to 31 December 2013 (2011: 31 December 2012).

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19. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Short-term deposits	**86,043**	53,253	**75,020**	38,982
Cash at banks and on hand	**78,496**	63,640	**28,919**	16,957
	164,539	116,893	**103,939**	55,939

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of one week to twelve months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates at 31 December 2012 for the Group and the Company were 1.20% (2011: 1.18%) and 1.10% (2011: 1.40%) respectively.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Euro Dollar	**720**	41	**161**	16
Indian Rupee	**565**	1,177	**–**	–
Indonesian Rupiah	**392**	709	**198**	218
Malaysian Ringgit	**211**	71	**149**	2
Renminbi	**4,569**	1,017	**–**	–
Saudi Riyal	**12,727**	9,770	**–**	–
Thai Baht	**11,320**	14,925	**–**	–
United States Dollar	**50,837**	50,681	**42,948**	46,868
Vietnamese Dong	**4**	225	**–**	–

NOTES TO THE FINANCIAL STATEMENTS
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19. CASH AND SHORT-TERM DEPOSITS (CONT'D)

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group	
	2012 $'000	2011 $'000
Short-term deposits	**86,043**	53,253
Cash at banks and on hand	**78,496**	63,640
Bank overdrafts, unsecured (Note 20)	**(20)**	(16)
	164,519	116,877
Less: Short-term deposits pledged as collateral for bank facilities (Note 20)	**(94)**	(93)
Cash and cash equivalents	**164,425**	116,784

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

20. LOANS AND BORROWINGS

	Maturity	Group 2012 $'000	Group 2011 $'000	Company 2012 $'000	Company 2011 $'000
Current:					
Obligations under finance leases (Note 22)	2013	**50**	19	**–**	–
Bank overdrafts	On demand	**20**	16	**–**	16
Bank loans:					
- USD revolving credit facility at LIBOR(1) + 2.25% p.a.	2013	**36,775**	26,115	**–**	–
- SAR revolving credit facility at SAIBOR(2) + 2.5% p.a.	2013	**7,013**	6,502	**–**	–
- USD loan at SIBOR(3) + 1.4% p.a.	2013	**19,547**	–	**19,547**	–
- USD loan at SIBOR(3) + 1.5% to 2.0% p.a.	–	**–**	23,414	**–**	23,414
- USD loan at COF(4) + 0.9% p.a.	–	**–**	7,805	**–**	7,805
- USD loan at COF(4) + 1.05% p.a.	2013	**7,330**	–	**7,330**	–
- USD loan at COF(4) + 1.5% p.a.	–	**–**	29,918	**–**	29,918
- SGD loan at SOR(5) + 1.4% to 2.0% p.a.	–	**–**	3,000	**–**	3,000
- SAR term loan	2013	**1,304**	1,040	**–**	–
		72,039	97,829	**26,877**	64,153
Non-current:					
Obligations under finance leases (Note 22)	2014 - 2016	**110**	–	**–**	–
SAR term loan	2014 - 2018	**11,070**	13,164	**–**	–
		11,180	13,164	**–**	–
Total loans and borrowings		**83,219**	110,993	**26,877**	64,153

(1) LIBOR: London Interbank Offered Rate
(2) SAIBOR: Saudi Arabia Interbank Offered Rate
(3) SIBOR: Singapore Interbank Offered Rate
(4) COF: Cost of Funds of lending bank
(5) SOR: Singapore Swap Offer Rate

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

20. LOANS AND BORROWINGS (CONT'D)

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 9). The average discount rate implicit in the leases is 2.0% p.a. (2011: 3.0% p.a.). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

Bank overdrafts

Bank overdrafts bear interest at the minimum overdraft rate (MOR) per annum. Bank overdrafts of the Company are unsecured and are denominated in USD. Bank overdrafts of a subsidiary are denominated in THB and are secured by a pledge of the subsidiary's fixed deposits amounting to $94,000 (2011: $93,000) (Note 19) and a corporate guarantee provided by the Company.

USD revolving credit facility at LIBOR + 2.25% p.a.
SAR revolving credit facility at SAIBOR + 2.5% p.a.

The working capital banking facility granted to a subsidiary is secured by a corporate guarantee provided by the Company (Note 27). The tenure for each drawdown is 3 months.

USD loan at SIBOR + 1.5% to 2.0% p.a., USD loan at COF + 0.9% p.a.
USD loan at COF + 1.5% p.a., SGD loan at SOR + 1.4% to 2.0% p.a.

These unsecured loans were fully repaid in 2012.

USD loan at SIBOR + 1.4% p.a., USD loan at COF + 1.05% p.a.

The tenures of these unsecured loans are between one to three months.

SAR term loan

In 2010, Saudi Industrial Development Fund (SIDF) sanctioned a loan of Saudi Arabian Riyal (SAR) 51,980,000 to a subsidiary. At 31 December 2012, an amount of SAR 40,956,500 (2011: SAR 40,956,500) has been drawn down from the facility. The loan is repayable in 14 semi-annual instalments commencing from 8 March 2012 with the last instalment on 29 June 2018. During the year ended 31 December 2012, the subsidiary has made repayments amounting to SAR 3,000,000 (2011: SAR nil). A SIDF loan appraisal fee of SAR 4,000,000 was deducted upfront and is being amortised over the period of the loan. The loan is secured by mortgage over property, plant and equipment of the subsidiary, mortgage over certain personal properties of the Saudi partners and pro-rata personal and corporate guarantees of both the partners.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Trade and other payables (current):				
Trade payables				
- External parties	**129,923**	160,472	**31,054**	78,451
- Subsidiary companies	**–**	–	**36,066**	27,997
- Associated companies	**165**	1,343	**–**	–
Other payables				
- External parties	**3,109**	5,313	**–**	–
- Subsidiary companies (non-trade)	**–**	–	**52,416**	5,089
- Associated companies (non-trade)	**–**	8	**–**	8
Accrued operating expenses	**37,016**	29,308	**9,219**	13,881
Total trade and other payables	**170,213**	196,444	**128,755**	125,426
Add:				
Loans and borrowings (Note 20)	**83,219**	110,993	**26,877**	64,153
Total financial liabilities carried at amortised cost	**253,432**	307,437	**155,632**	189,579

Trade payables/other payables

These amounts are non-interest bearing. Trade payables are normally settled on 60-day terms while other payables have an average credit term of two months.

Trade payables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Arab Emirates Dirham	**336**	–	**4**	–
Euro Dollar	**3,351**	5,416	**3,096**	5,080
Indian Rupee	**735**	–	**–**	–
Indonesian Rupiah	**127**	807	**–**	–
Japanese Yen	**95**	1,163	**95**	1,163
Pound Sterling	**36**	4,053	**7**	3,818
Saudi Riyal	**81,626**	64,909	**2,456**	2,878
Thai Baht	**3,990**	4,983	**–**	–
United States Dollar	**18,991**	54,054	**15,615**	57,596

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

21. TRADE AND OTHER PAYABLES (CONT'D)

Amounts due to subsidiary and associated companies

These amounts are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

Purchases from subsidiary and associated companies are made at terms equivalent to those prevailing in arm's length transactions with third parties.

22. OBLIGATIONS UNDER FINANCE LEASES

The Group has finance leases for certain items of plant and equipment and motor vehicles (Note 9). These leases have terms of renewal but no purchase options and escalation clauses. There are no restrictions placed upon the Group by entering into the leases. Renewal is at the option of the specific entity that holds the lease.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	2012		2011	
	Minimum payments $'000	Present value of payments $'000	Minimum payments $'000	Present value of payments $'000
Group				
Not later than one year	**43**	**50**	23	19
Later than one year but not later than five years	**132**	**110**	–	–
Total minimum lease payments	**175**	**160**	23	19
Less: Amounts representing finance charges	**(15)**	**–**	(4)	–
Present value of minimum lease payments	**160**	**160**	19	19

NOTES TO THE FINANCIAL STATEMENTS
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23. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group and Company			
	2012		2011	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	**567,854**	**89,365**	567,854	89,365

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

(b) *Treasury shares*

	Group and Company			
	2012		2011	
	No. of shares '000	$'000	No. of shares '000	$'000
Acquired during the financial year, representing balance at 31 December	**(336)**	**(161)**	–	–

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 336,000 (2011: nil) shares in the Company through purchases on the Singapore Exchange during the financial year. The total amount paid to acquire the shares was $161,000 (2011: nil) and this was presented as a component within shareholders' equity.

24. OTHER RESERVES

	Group		Company	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Fair value adjustment reserve	**2,490**	921	**–**	–
Foreign currency translation reserve	**(5,665)**	(1,742)	**–**	–
Statutory reserve	**300**	300	**–**	–
Capital reserve	**86**	80	**–**	–
	(2,789)	(441)	**–**	–

(a) Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

(b) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(c) Statutory reserve fund

In accordance with the Saudi Arabian Regulations applicable to the Group's subsidiary companies in the Saudi Arabia ("SA"), these subsidiary companies are required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory profits net of tax as determined in accordance with the applicable SA accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary company's registered capital. Subject to the approval from the relevant SA authorities, the SRF may be used to offset any accumulated losses of the subsidiary company. The SRF is not available for dividend distribution to shareholders.

(d) Capital reserve

Included is an amount of $6,000 (2011: $nil) relating to premium on acquisition of non-controlling interests.

These reserves are not available for distribution as dividends.

NOTES TO THE FINANCIAL STATEMENTS
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25. RELATED PARTY DISCLOSURES

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2012	**2011**
	$'000	**$'000**
Associated companies		
Accounting fee received	**68**	87
Contract sales and services	**1,493**	3,729
Dividend received	**480**	1,923
Interest received	**4**	6
Rental received	**31**	45
Purchase of goods and services	**–**	(1,974)

(b) *Compensation of key management personnel*

	Group	
	2012	**2011**
	$'000	**$'000**
Short-term employee benefits	**3,533**	10,844
Central Provident Fund contributions	**58**	65
	3,591	10,909
Comprise amounts paid to:		
- Directors of the Company	**1,231**	8,566
- Other key management personnel	**2,360**	2,343
	3,591	10,909

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO THE FINANCIAL STATEMENTS
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26. COMMITMENTS

Operating lease commitments – as lessee

The Group has entered into commercial leases on certain premises. These leases have remaining tenures ranging from 13 years to 24 years with no contingent rent provision in the contracts.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2012 amounted to $628,000 (2011: $619,000).

Future minimum rental payable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2012	**2011**
	$'000	**$'000**
Not later than one year	**665**	627
Later than one year but not later than five years	**3,029**	2,865
Later than five years	**8,160**	9,029
	11,854	12,521

27. CONTINGENT LIABILITIES

Legal claims

In October 2012, a subcontractor has commenced an action against the Group for early termination. The subcontractor has agreed to seek an out-of-court settlement and submitted invoices for settlement amounting to approximately $3,000,000. As the contract was on a unit cost basis, management believes it is possible, not probable, that the action will succeed and accordingly no provision for any liability, other than approximately $1,300,000 recorded as a trade payable to the subcontractor, has been made in these financial statements.

Guarantees

The Group and the Company have guaranteed part of the bank loan of an associated company to a maximum amount of $5,600,000 (2011: $7,200,000), which it is severally liable for in the event of default by the associated company.

The Company has provided corporate guarantees to a maximum amount of $42,662,000 (2011: $36,675,000) to secure banking facilities for its subsidiary companies (Note 20).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

A. Fair value of financial instruments that are carried at fair value

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Group	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
2012				
Financial assets:				
Available-for-sale financial assets (Note 13)				
– Equity instruments (quoted)	**2,864**	**–**	**–**	**2,864**
At 31 December 2012	**2,864**	**–**	**–**	**2,864**
Financial liabilities:				
Foreign currency contracts (Note 18)				
– Forward currency contracts	**–**	**(52)**	**–**	**(52)**
At 31 December 2012	**–**	**(52)**	**–**	**(52)**
2011				
Financial assets:				
Available-for-sale financial assets (Note 13)				
– Equity instruments (quoted)	1,294	–	–	1,294
Foreign currency contracts (Note 18)				
– Forward currency contracts	–	2,062	–	2,062
At 31 December 2011	1,294	2,062	–	3,356

NOTES TO THE FINANCIAL STATEMENTS
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28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

A. Fair value of financial instruments that are carried at fair value (cont'd)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1– Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between fair value measurement levels during the financial years ended 31 December 2012 and 2011.

Determination of fair value

Quoted equity instruments (Note 13): Fair value is determined by direct reference to their bid price quotations in an active market at the end of the reporting period.

Foreign currency contracts (Note 18): Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing models using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves.

B. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

Current trade and other receivables and payables, and current loans and borrowings (Note 20)

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

C. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Note	Group 2012 $'000 Carrying amount	Group 2012 $'000 Fair value	Group 2011 $'000 Carrying amount	Group 2011 $'000 Fair value	Company 2012 $'000 Carrying amount	Company 2012 $'000 Fair value	Company 2011 $'000 Carrying amount	Company 2011 $'000 Fair value
Financial assets:									
Equity instruments, at cost	13	**867**	*	867	*	**867**	*	867	*
Other receivables (non-current)	15	**8,990**	#	4,060	#	**8,990**	#	4,060	#
Financial liabilities:									
Loans and borrowings (non-current)	20	**11,180**	**10,087**	13,164	11,492	**–**	**–**	–	–

* Investment in equity instruments carried at cost (Note 13)

Fair value information has not been disclosed for the Group's and the Company's investments in equity instruments that are carried at cost because fair value cannot be measured reliably. These equity instruments represent ordinary shares in companies that are not quoted on any market and do not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of these investments in the foreseeable future.

Non-current other receivables due from subsidiary and associated companies (Note 15)

Fair value information has not been disclosed for the Group's and the Company's non-current receivables from subsidiary and associated companies that are carried at cost because fair value cannot be measured reliably. The fair values of these amounts are not determinable as the timing of the future cash flow cannot be estimated reliably because the amounts are repayable only when the cash flow of the borrower permits.

Determination of fair value

Loans and borrowings (non-current)

The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of borrowing arrangements at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) *Credit risk*

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including other investments, cash and short-term deposits, and derivatives), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

– A nominal amount of $5,600,000 (2011: $7,200,000) relating to a corporate guarantee provided by the Company to a bank on an associated company's loan.

– A nominal amount of $46,662,000 (2011: $36,675,000) relating to corporate guarantees provided by the Company to banks on bank facilities granted to its subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS
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29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) *Credit risk (cont'd)*

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and accrued revenue from external parties at the end of the reporting period is as follows:

	Group			
	2012		2011	
	$'000	% of total	$'000	% of total
By country:				
Singapore	**65,261**	35%	**57,645**	14%
Saudi Arabia	**107,993**	58%	**333,229**	83%
Thailand	**11,062**	6%	**8,393**	2%
Others	**625**	1%	**1,476**	1%
	184,941	100%	**400,743**	100%

At the end of the reporting period, approximately:

– 78% (2011: 78%) of the Group's trade receivables were due from 5 major customers who are in the oil and gas industry located in Singapore and Kingdom of Saudi Arabia.

– 8% (2011: 4%) of the Group's trade and other receivables were due from related parties while 45% (2011: 36%) of the Company's receivables were balances with related parties.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, other investments and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 13 (Other investments) and Note 15 (Trade and other receivables).

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group maintains sufficient liquid financial assets and stand-by credit facilities with at least five different banks. At the end of the reporting period, approximately 87% (2011: 88%) and 100% (2011: 100%) of the Group's and the Company's loans and borrowings (Note 20) will mature in less than one year based on the carrying amount reflected in the financial statements, respectively.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	2012 $'000				2011 $'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Group								
Trade and other payables	**170,085**	**–**	**–**	**170,085**	196,368	–	–	196,368
Loans and borrowings	**72,167**	**10,868**	**312**	**83,347**	97,909	9,364	3,800	111,073
Total undiscounted financial liabilities	**242,252**	**10,868**	**312**	**253,432**	294,277	9,364	3,800	307,441
Company								
Trade and other payables	**128,669**	**–**	**–**	**128,669**	125,350	–	–	125,350
Loans and borrowings	**26,963**	**–**	**–**	**26,963**	64,229	–	–	64,229
Total undiscounted financial liabilities	**155,632**	**–**	**–**	**155,632**	189,579	–	–	189,579

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Liquidity risk (cont'd)*

The table below shows the contractual expiry by maturity of the Group's and the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2012 $'000				2011 $'000			
	One year or less	One to five years	Over five years	Total	One year or less	One to five years	Over five years	Total
Group								
Financial guarantees	**1,600**	**4,000**	**–**	**5,600**	1,600	5,600	–	7,200
Company								
Financial guarantees	**42,616**	**9,487**	**159**	**52,262**	31,562	10,375	1,938	43,875

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2011: less than 6 months) from the end of the reporting period.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if USD interest rates had been 100 (2011: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $475,000 (2011: $358,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, Thai Baht (THB) and Saudi Riyals (SAR). The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD). Approximately 50% (2011: 71%) of the Group's sales are denominated in foreign currencies whilst almost 80% (2011: 58%) of costs are denominated in the respective functional currencies of the Group entities. The Group's trade receivable and trade payable balances denominated in foreign currencies at the end of the reporting period are disclosed in Note 15 and 21, respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) *Foreign currency risk (cont'd)*

The Group and the Company also hold cash and short-term deposits denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are disclosed in Note 19.

The Group requires all of its operating entities to use forward currency contracts to eliminate the currency exposures on any individual transactions in excess of $1,000,000 for which payment is anticipated more than one month after the Group has entered into a firm commitment for a sale or purchase. The forward currency contracts must be in the same currency as the hedged item. It is the Group's policy not to enter into forward contracts until a firm commitment is in place. It is the Group's policy to negotiate the terms of the hedge derivatives to match the terms of the hedged item to maximise hedge effectiveness.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including Saudi Arabia, Indonesia, People's Republic of China ("PRC"), India and Thailand. The Group's net investments are not hedged as their currency positions are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit before tax to a reasonably possible change in the USD exchange rate against the respective functional currencies of the Group entities, with all other variables held constant.

	Group 2012 $'000 Loss before tax	Group 2011 $'000 Profit before tax
USD/SGD		
- strengthened 1% (2011: 1%)	**-360**	+764
- weakened 1% (2011: 1%)	**+360**	-764
USD/THB		
- strengthened 1% (2011: 1%)	**-1**	+6
- weakened 1% (2011: 1%)	**+1**	-6

30. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2012 and 31 December 2011.

As disclosed in Note 24(c), certain subsidiaries of the Group are required by the Saudi Arabian Regulations to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant Saudi Arabia authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiary for the financial years ended 31 December 2012 and 2011.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio at below 50%. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and short-term deposits. Capital includes equity attributable to owners of the Company less the fair value adjustment reserve and the abovementioned restricted statutory reserve fund.

	Group	
	2012	**2011**
	$'000	**$'000**
Loans and borrowings (Note 20)	**83,219**	110,993
Trade and other payables (Note 21)	**170,213**	196,444
Less: Cash and short-term deposits (Note 19)	**(164,539)**	(116,893)
Net debt	**88,893**	190,544
Equity attributable to owners of the Company	**192,685**	286,992
Less: - Fair value adjustment reserve	**(2,490)**	(921)
- Statutory reserve fund	**(300)**	(300)
Total capital	**189,895**	285,771
Capital and net debt	**278,788**	476,315
Gearing ratio	**32%**	40%

31. SEGMENT INFORMATION

Reporting format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

Business segments

The Project Services segment provides engineering design, procurement and construction services for plants and associated facilities in oil and gas, petrochemical and pharmaceutical industries.

The Maintenance and Trading segment provides maintenance, engineering and other related services to chemical process industry, including warehousing, trading and logistics services of equipment and products.

Geographical segments

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Others include countries such as People's Republic of China, Malaysia, Indonesia, South Africa, India and Norway.

Allocation basis and transfer pricing

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, income tax and deferred tax assets and liabilities and related expenses.

Transfer prices between business segments are set on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

31. SEGMENT INFORMATION (CONT'D)

Business segments

The following table presents revenue and results information regarding the Group's business segments for the years ended 31 December 2012 and 2011.

	Project services		Maintenance and trading		Eliminations		Consolidated	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Segment revenue								
Sales to external customers	**394,316**	479,528	**50,151**	51,341	**–**	–	**444,467**	530,869
Inter-segment sales	**1,954**	963	**14,815**	18,641	**(16,769)**	(19,604)	**–**	–
Total revenue	**396,270**	480,491	**64,966**	69,982	**(16,769)**	(19,604)	**444,467**	530,869
Segment result	**(124,771)**	95,930	**14,721**	14,921	**–**	–	**(110,050)**	110,851
Unallocated expenses							**(66,907)**	(66,495)
Finance costs							**(2,643)**	(1,365)
Share of results of associated companies	**524**	23	**–**	–	**–**	–	**524**	23
Unallocated share of results of associated companies							**(2,869)**	(416)
(Loss)/profit before tax							**(181,945)**	42,598
Income tax expense							**(3,052)**	(5,397)
(Loss)/profit for the year							**(184,997)**	37,201

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2012

31. SEGMENT INFORMATION (CONT'D)

Business segments (cont'd)

The following table presents assets, liabilities and other segment information regarding the Group's business segments as at and for the years ended 31 December 2012 and 2011.

	Project services		Maintenance and trading		Consolidated	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Assets and liabilities:						
Segment assets	**400,483**	634,349	**51,382**	51,026	**451,865**	685,375
Investment in associated companies	**1,433**	943	**–**	–	**1,433**	943
Unallocated assets (Note A)					**2,082**	14,023
Total assets					**455,380**	700,341
Segment liabilities	**316,599**	361,814	**14,155**	12,107	**330,754**	373,921
Unallocated liabilities (Note B)					**14,114**	16,349
Total liabilities					**344,868**	390,270
Other segment information:						
Capital expenditure	**6,342**	15,443	**381**	443	**6,723**	15,886
Depreciation and amortisation	**14,459**	13,665	**1,338**	1,606	**15,797**	15,271
Impairment loss on investments and advances	**10,888**	–	**–**	–	**10,888**	–

Notes

A Unallocated assets consist of deferred tax assets, tax recoverable and investments in associated companies amounting to $480,000 (2011: $951,000), $846,000 (2011: $60,000) and $756,000 (2011: $13,012,000) respectively.

B Unallocated liabilities consist of deferred tax liabilities and income tax payable amounting to $2,345,000 ($2,642,000) and $11,769,000 (2011: $13,707,000) respectively.

31. SEGMENT INFORMATION (CONT'D)

Geographical segments

The following table presents revenue, capital expenditure and certain assets information regarding the Group's geographical segments for the years ended 31 December 2012 and 2011.

	Singapore		Thailand		Middle East		Others		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:										
Sales to external customers	**222,427**	153,755	**38,028**	45,603	**178,291**	320,085	**5,721**	11,426	**444,467**	530,869
Other segment information:										
Segment assets	**279,956**	416,393	**31,553**	33,160	**124,118**	216,551	**16,238**	19,271	**451,865**	685,375
Unallocated assets									**1,326**	1,011
Investment in associated companies	**(2,510)**	1,300	**–**	–	**–**	–	**4,699**	12,655	**2,189**	13,955
Total assets									**455,380**	700,341
Capital expenditure	**2,386**	1,004	**1,019**	278	**3,237**	14,378	**81**	226	**6,723**	15,886

32. DIVIDENDS

	Group and Company	
	2012	2011
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2011: 2.0 cents (2010: 3.8 cents) per share	**11,357**	21,578
- Interim exempt (one-tier) dividend for 2012: nil (2011: 1.0 cent) per share	**–**	5,679
	11,357	27,257

32. DIVIDENDS (CONT'D)

	Group and Company	
	2012	2011
	$'000	$'000
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend for 2012: 0.5 cent (2011: 2.0 cents) per share	**2,838**	11,357

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2012 were authorised for issue in accordance with a resolution of the Directors on 25 March 2013.

STATISTICS OF SHAREHOLDINGS

AS AT 8 MARCH 2013
[RULE 1207 (9)]

Number of ordinary shares in issue (excluding treasury shares)	:	567,518,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 999	59	0.61	23,359	0.00
1,000 – 10,000	6,161	64.30	34,345,303	6.05
10,001 – 1,000,000	3,341	34.87	138,500,449	24.41
1,000,001 and above	21	0.22	394,648,889	69.54
	9,582	100.00	567,518,000	100.00

Ordinary shares held in treasury ("Treasury Shares")
Sole shareholder of 336,000 Treasury Shares: Rotary Engineering Limited
Voting rights: None
Percentage of this holding against total number of issued shares excluding Treasury Shares: 0.06%

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 8 March 2013)

	Direct Interest	%	Deemed Interest	%
Chia Kim Piow (Note 1)	26,556,816	4.68	172,423,528	30.38
Wong Oi Moi (Note 2)	6,972,896	1.23	192,007,448	33.83
REL Investments Pte Ltd	165,450,632	29.15	–	–
Funderburk Asia-Pac Investments I Limited (Note 3)	121,350,888	21.38	–	–
Oman Investment Fund	–	–	121,350,888	21.38

Notes:

1. Chia Kim Piow is deemed to have an interest in the shares held by his spouse, Wong Oi Moi and REL Investments Pte Ltd.
2. Wong Oi Moi is deemed to have an interest in the shares held by her spouse, Chia Kim Piow and REL Investments Pte Ltd.
3. Funderburk Asia-Pac Investments I Limited is the wholly owned subsidiary of Oman Investment Fund.

STATISTICS OF SHAREHOLDINGS

AS AT 8 MARCH 2013
[RULE 1207 (9)]

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	REL INVESTMENTS PTE LTD	165,450,632	29.15
2.	RAFFLES NOMINEES (PTE) LTD	122,259,933	21.54
3.	CHIA KIM PIOW	26,556,816	4.68
4.	CHIA KIM CHUA	22,242,400	3.92
5.	DBSN SERVICES PTE LTD	7,119,315	1.25
6.	WONG OI MOI	6,972,896	1.23
7.	DBS NOMINEES PTE LTD	6,034,900	1.06
8.	UNITED OVERSEAS BANK NOMINEES PTE LTD	5,388,600	0.95
9.	CITIBANK NOMINEES SINGAPORE PTE LTD	4,827,600	0.85
10.	PHILLIP SECURITIES PTE LTD	4,251,600	0.75
11.	UOB KAY HIAN PTE LTD	4,182,000	0.74
12.	CIMB SECURITIES (SINGAPORE) PTE LTD	3,602,200	0.63
13.	MAYBANK KIM ENG SECURITIES PTE LTD	3,065,138	0.54
14.	OCBC NOMINEES SINGAPORE PTE LTD	2,912,600	0.51
15.	HSBC (SINGAPORE) NOMINEES PTE LTD	1,986,000	0.35
16.	OCBC SECURITIES PRIVATE LTD	1,882,000	0.33
17.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,453,000	0.26
18.	HONG LEONG FINANCE NOMINEES PTE LTD	1,199,000	0.21
19.	QUEK WEE HONG	1,120,000	0.20
20.	ONG LAY SAN (WANG LISHAN)	1,098,000	0.19

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

39.21% of the Company's shares are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 33rd Annual General Meeting of ROTARY ENGINEERING LIMITED (the "Company") will be held at 17 Tuas Avenue 20, Singapore 638828 on Friday, 19 April 2013 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2012 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final dividend of Singapore 0.5 cent per share tax exempt for the year ended 31 December 2012 (2011: Singapore 2 cents per share). **(Resolution 2)**

3. To approve the payment of Directors' fees of S$342,000 for the year ended 31 December 2012 (2011: S$402,000). **(Resolution 3)**

4. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Articles of Association of the Company:

   Mr Lam Khin Khui **(Resolution 4)**
   Mr Chia Kim Chua **(Resolution 5)**

   [See Explanatory Note (i)]

5. To record the retirement of Mr Quek Wee Hong, a Director of the Company who is retiring pursuant to Section 153(6) of the Companies Act, Cap. 50 and will not be seeking for re-appointment.

6. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

   (a) new shares arising from the conversion or exercise of any convertible securities;

   (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

   (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

9. **Renewal of Share Buy-back Mandate**

That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, Cap 50, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("Shares") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(a) market purchase(s) on the SGX-ST and/or any other securities exchange on which the Shares may for the time being be listed and quoted ("Other Exchange"), and/or

(b) off-market purchase(s) (if effected otherwise than on the SGX-ST or, as the case may be, the Other Exchange) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable (on a poll taken), be and is hereby authorised and approved generally and unconditionally ("Renewed Share Buy-Back Mandate");

(2) unless varied or revoked by the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Renewed Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

(a) the date on which the next Annual General Meeting of the Company is held, or

(b) the date by which the next Annual General Meeting of the Company is required by law to be held.

In this Resolution:

"Maximum Limit" means that number of issued Shares representing ten per cent. (10%) of the total number of issued Shares (excluding Shares held as treasury shares) as at the date of the passing of this Ordinary Resolution unless the Company has effected a reduction of the total number of issued Shares of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the issued Shares shall be taken to be the total number of issued Shares as altered (excluding any Shares which are held as treasury shares as at that date); and

"Relevant Period" means the period commencing from the date of the extraordinary general meeting at which the renewal of the Share Buyback Mandate is approved and thereafter, expiring on the date on which the next annual general meeting is held or is required by law to be held, whichever is the earlier, after the date this Ordinary Resolution; and

NOTICE OF ANNUAL GENERAL MEETING

"Maximum Price", in relation to a Share to be purchased, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:-

(i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase, one hundred and ten per cent. (110%) of the Average Closing Price,

where:-

"Average Closing Price" means the average of the closing market prices of a Share for the five (5) consecutive market days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to Off-Market Purchase, and deemed to be adjusted in accordance with the rules of the Listing Manual for any corporate action which occurs after the relevant five (5) market day period.

"date of making of the offer" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

(3) the Directors of the Company and/or any of them be and are hereby authorized to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient and necessary to give effect to the transactions contemplated and/or authorized by this Resolution.

[See Explanatory Note (iii)]

(Resolution 8)
(by taking of a poll)

By Order of the Board

Tan Cher Liang
Secretary
Singapore, 4 April 2013

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Lam Khin Khui will, upon re-election as a Director of the Company, remain as Chairman of Remuneration Committee, members of the Audit and Nominating Committees and will be considered independent.

Mr Chia Kim Chua will, upon re-election as a Director of the Company, remain as an Executive Director.

(ii) The Ordinary Resolution 7 in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iii) The Company intends to use its internal sources of funds to finance the purchase or acquisition of its Shares authorised under Resolution 8. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, inter alia, the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled. Purely for illustrative purposes, based on the existing issued Shares as at 8 March 2013 ("Latest Practicable Date"), the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 56,751,800 Shares. In the case of market purchases by the Company and assuming that the Company purchases or acquires the 56,751,800 Shares at the Maximum Price of S$0.51 for one Share (being the price equivalent to 105% of the average of the closing market prices of the Shares for the five consecutive market days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 56,751,800 Shares is S$28,943,418. The financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Renewed Share Buy-Back Mandate on the unaudited financial statements of the Group for FY2012 are set out in paragraph 7(d) of the Letter to Shareholders dated 4 April 2013.

Notes on Proxies:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 17 Tuas Avenue 20, Singapore 638828 not less than forty-eight hours before the time appointed for holding the Meeting.

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ROTARY ENGINEERING LIMITED

Company Registration No. 198000255E
(Incorporated in The Republic of Singapore)

IMPORTANT:
1. For investors who have used their CPF monies to buy Rotary Engineering Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________________

of ______________________________

being a member/members of Rotary Engineering Limited (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on 19 April 2013 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 31 December 2012		
2	Payment of proposed final dividend		
3	Approval of Directors' fees amounting to S$342,000		
4	Re-election of Mr Lam Khin Khui as a Director		
5	Re-election of Mr Chia Kim Chua as a Director		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors		
7	Authority to issue shares		
8	Renewal of Share Buy-back Mandate (By taking of a poll)		

Dated this ____________ day of ________________________ 2013

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 17 Tuas Avenue 20 Singapore 638828 not less than forty-eight hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

8. As Chia Kim Piow, Chia Kim Chua and Wong Oi Moi are deemed to be persons acting in concert with the Substantial Shareholder, REL Investments Pte Ltd, by virtue of their shareholdings therein, they are required under Note 3 of Appendix 2 of the Take-over Code to abstain from voting for and/or recommending that shareholders vote in favour of Ordinary Resolution 8 and should accordingly, not be appointed as proxies in respect of Ordinary Resolution 8.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

CORPORATE INFORMATION

I. BOARD OF DIRECTORS

- Chia Kim Piow (Chairman & Managing Director)
- Chia Kim Chua
- Keith Tay Ah Kee
- Quek Wee Hong
- Lam Khin Khui
- Badri Narayanan Santhana Krishnan
- Wong Oi Moi

II. AUDIT COMMITTEE

- Keith Tay Ah Kee (Chairman)
- Lam Khin Khui
- Quek Wee Hong
- Badri Narayanan Santhana Krishnan

III. NOMINATING COMMITTEE

- Quek Wee Hong (Chairman)
- Lam Khin Khui
- Keith Tay Ah Kee
- Chia Kim Piow

IV. REMUNERATION COMMITTEE

- Lam Khin Khui (Chairman)
- Keith Tay Ah Kee
- Quek Wee Hong

V. COMPANY SECRETARY

- Tan Cher Liang

VI. REGISTERED OFFICE

17 Tuas Avenue 20
Singapore 638828
Tel: (65) 6866 0800
Fax: (65) 6866 0999

VII. SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

VIII. AUDITORS

ERNST & YOUNG LLP
Audit Partner – Yee Woon Yim (since Financial Year 2012)

ROTARY GROUP OF COMPANIES

SINGAPORE
- Rotary Automation Pte Ltd
- Rotary Electrical & Instrumentation Pte Ltd
- Rotary Electrical Company (Pte) Ltd
- Rotary IMC Pte Ltd
- Rotary Logistics Pte Ltd
- Rotary Mechanical & Construction Co Pte Ltd
- Rotary Process Solutions Pte Ltd
- Rotary TREL Pte Ltd
- Rotary-Thai Construction Pte Ltd
- BuildGlobal Pte Ltd
- Eastlog Holding Pte Ltd
- Innovative Biotech Pte Ltd
- iPromar Pte Ltd
- Itro Pte Ltd
- Jasinusa Automobile Pte Ltd
- Pipe Rack Holding Company Pte Ltd
- RSK Engineering Co Pte Ltd
- ShopGlobal Pte Ltd
- Sixty-six Switchgears Co Pte Ltd
- Supermec Pte Ltd
- Tiong Woon China Consortium Pte Ltd

MALAYSIA
- Rotary MEC (M) Sdn Bhd
- SINGLOBAL (M) Sdn Bhd

AUSTRALIA
- Rotary Engineering (Australia) Pty Ltd

INDIA
- Rotary MEC Engineering (India) Pvt Ltd

INDONESIA
- P.T. Rotary Engineering Indonesia
- P.T. Rotary Engineering South East Asia

PEOPLE'S REPUBLIC OF CHINA
- Rotary Engineering (Dalian) Ltd
- Rotary Engineering (Shanghai) Ltd
- Rotary International Trading (Shanghai) Ltd
- Changchun FAW United Casting Co.
- Jinzhou Everthriving Logistics Co. Ltd

SAUDI ARABIA
- Rotary Arabia Co. Ltd
- Petrol Steel Co. Ltd

THAILAND
- Thai Rotary Engineering Public Company Limited

UNITED ARAB EMIRATES
- Rotary Engineering Fujairah FZE

VIETNAM
- Supermec Vietnam Co Ltd

(Company's Registration No. 198000255E)

ROTARY

Smart thinking. Safe hands.