ROTARY ENGINEERING LIMITED

ANNUAL REPORT 2014

SUSTAINABLE GROWTH SMARTER MOVES

TABLE OF CONTENTS

ROTARY AT A GLANCE

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 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, the Group has established a strong presence in the Asia-Pacific region and continues to make its mark as a global player. Established in 1972, the Group 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 the Group while it actively seeks business opportunities overseas. Rotary has subsidiaries and associate companies in Malaysia, Thailand, Indonesia, India, China, Vietnam, Saudi Arabia and the United Arab Emirates.

Rotary Engineering Limited is ISO 9001, ISO14001, OHSAS certified and is listed on the mainboard of Singapore Exchange since 1993.

SMARTER TOOLS, BETTER SOLUTIONS.

With a total maintenance workforce of over 800, including over 600 multi-skilled craftsmen, we can remain responsive to changes in project scope, costs, risks and schedules.

When it comes to harnessing technology in our processes, we use the best there is because we believe in working smart. One such technology is the SmartPlant suite of products for EDMS, 3D modeling and other design works. We can bring our designs to life in 3D right from the drawing board, so you can visualize exactly what the finished site will look like. Our integrated procurement system, SmartPlant Materials, is used to track and manage materials from requisition to receipt to installation on site. Integrated into the software is a barcode system that allows us to better track our materials at site. We also harness SAP solutions to effectively manage all our project processes – we can remain responsive to changes in project scope, costs, risks and schedules.

Working smart is our business.

CHAIRMAN'S MESSAGE

The Group maintained its growth momentum in FY2014. Both revenue and net profit attributable to shareholders increased significantly.

Dear Shareholders,

On behalf of my fellow Directors, I am pleased to brief you on the outlook for the year ahead and present the performance of the Group for the financial year ended 31 December 2014 ("FY2014").

THE MACRO OUTLOOK

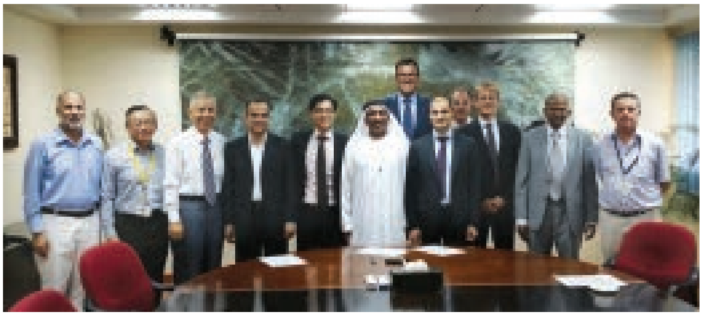
These are clearly tough times for the oil and gas sector, but I am confident that Rotary can overcome the challenges. While the slide in oil prices has affected oil producers and oil companies worldwide, it has also created business opportunities. The contango in the oil market - a situation where spot oil prices are lower than future or forward prices - has for instance, resulted in oil traders storing oil now to sell at a profit at a later time. It has also seen net oil-importing countries like China taking advantage of low-priced oil to beef up their strategic reserves. From Europe, to Fujairah and Singapore, a universal shortage of onshore oil tankage has seen many oil traders resort to floating storage, that is, to store oil in tankers out at sea. Given that it takes about 18 to 24 months to build an average-sized storage terminal, this situation is likely to persist for a while, and may possibly even hasten plans for construction of more storage infrastructure.

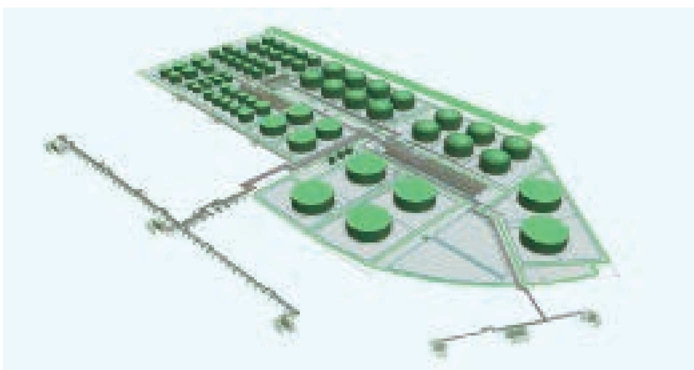
Current low oil prices will not persist, industry officials say, with a top Organisation of Petroleum Exporting Countries official recently signalling that prices may in fact have already bottomed. Already, the slide in oil prices - the result of a global supply glut especially from U.S. shale oil production seems to be abating. Supply will tighten following recent cutbacks in energy projects by companies and producers worldwide, including a sharp decline in US drilling activity. OPEC has also just revised upwards the demand forecast for its oil, while in Asia, demand for energy has also been underpinned by the rapid urbanisation accompanying strong regional economic growth.

In the latter part of my message, I will elaborate on how Rotary intends to face the challenges ahead.

THE YEAR IN PERSPECTIVE

The Group maintained its growth momentum in FY2014. Both revenue and net profit attributable to shareholders increased significantly. The year saw the completion of major projects such as the Fujairah Oil Terminal. At the same time, new projects we secured marked the evolution of Rotary's business capabilities from construction of simple tankage for bulk liquid storage to an established provider of one-stop integrated storage solutions. The clients we now cater to are different from those 10 years ago. Today, they are more demanding, and some require our participation in their projects' initial FEED ("Front-End Engineering Design") studies, to provide engineering design that optimises land-use, and build entire plants that integrate their production technology, such as was done for the lube blending plant project here. Medium-sized specialty chemicals companies that have followed in the wake of the multinational majors to Jurong Island are also increasingly trusting their engineering design to us, as was done for our new client, a global manufacturer of specialty chemicals used in personal care and healthcare industries. Our efficient execution of the Fujairah Oil Terminal project brought us high visibility and credibility, contributing partly to our securing the Port of Fujairah's Very Large Crude Carrier ("VLCC") jetty project as the leader of a consortium that included jetty construction specialist Belgium's Six Construct Ltd. In addition to tankage, we are also seeing one-stop integrated storage solution projects that require us to construct the jetties, topsides and pipelines used for loading and discharging of raw materials and finished products.





NEW GROWTH AREAS & PROSPECTS

The year saw two significant developments, which are areas where Rotary intends to expand our business.

Environmentally-friendly Liquid Natural Gas ("LNG") is projected to grow in importance as a fuel for power generation. In Singapore, the on-going expansion of the Singapore LNG terminal, including current plans for a fourth tank, as well as for a possible second LNG terminal here, underlines the Republic's ambitions to grow as a regional LNG trading hub. The engineering and construction of LNG storage and regasification facilities requires expertise in building double-walled cryogenic tanks and ancillaries. We have signalled our intention to compete in the LNG space and have sent teams for overseas technical training. In September 2014, we achieved a breakthrough in the LNG space by securing a contract with IHI Corporation of Japan to provide tankage works for two 160,000 cubic metres LNG storage tanks for the LNG Receiving Terminal Expansion-Phase II at Map Tha Phut petrochemical hub in Rayong, Thailand.

While the fundamentals of our business remain sound, we are also exploring new ways of doing business that will generate stable, recurring revenue in contrast to the lumpy nature of project-based earnings.

The Group's investment in a 10 per cent equity stake in an operational oil terminal in Indonesia is a good start. The terminal is strategically located along a main shipping route for crude oil and petrochemicals, and boasts deep-draft berths which enable break bulk and distribution of products in smaller quantities to the other islands of Indonesia. The investment has also secured a long-term contract that will ensure its optimal utilisation. We add value for our partners by providing expertise in the terminal's management, engineering, and maintenance systems. With this acquisition, the Group has gained a foothold in the Indonesian liquid bulk storage space and is poised to explore further opportunities for the acquisition and operation of other oil terminals.

FY2014 PERFORMANCE REVIEW

I am delighted to report that in FY2014, Rotary performed well despite the challenging business environment, and has continued to grow in strength. Revenue increased by 16 per cent from S$595.0 million in FY2013 to S$687.7 million in FY2014. Singapore contributed to 63 per cent of revenue, while projects in the Middle East and ASEAN contributed 29 per cent and 8 per cent respectively.

While the fundamentals of our business remain sound, we are also exploring new ways of doing business that will generate stable, recurring revenue in contrast to the lumpy nature of project-based earnings.

Net profit attributable to shareholders significantly increased from S$20.7 million recorded in FY2013 to S$50.1 million for FY2014. Earnings per share correspondingly moved up from 3.7 Singapore cents per share in FY2013 to 8.8 Singapore cents per share in FY2014.

The Gross Profit Margin of 17 per cent for FY2014 was creditable and marked a significant improvement from the 12 per cent figure of the previous year. As we move up the value chain to handle more complex projects, innovation and operational efficiency will play an increasingly important role.

Our financial position remains strong. Cash and short term deposits stood at S$157.1 million as at 31 December 2014.

Loans and borrowing decreased from S$59.8 million as at 31 December 2013 to S$11.0 million as at 31 December 2014 as we made repayments from our excess cash. Net Asset Value was S$128.4 million or 45.2 Singapore cents per share as at 31 December 2014 as compared to S$98.4 million or 37.2 Singapore cents per share as at 31 December 2013. The Group has performed well in challenging conditions and in appreciation of the strong support from our shareholders, the Board of Directors has proposed a final dividend of 2.5 Singapore cents a share for FY2014. This represents a dividend yield of 4.6 per cent based on the closing price of 54.5 Singapore cents on 25 February 2015 – the date of our announcement.

INNOVATION AND OPERATIONAL EFFICIENCY

Innovation and operational efficiency have become Rotary's hallmarks and are integral to its brand-name. It is the means by which we aim to achieve higher productivity and create even higher value for shareholders. Our 3M Strategy - to manage Man, Materials and Machine - continues to guide us effectively. In construction methodology we have attained higher productivity with the use of methods that enable us to work smarter and faster, and which minimise downtime caused by rain and heat fatigue. We are constantly fine-tuning our work processes to up our game further. Our three prefabrication workshops in Thailand, Batam and Saudi Arabia act as hubs for the off-site prefabrication of parts which are then transported to the work sites in a semi-finished form for faster assembly.

We have also extensively leveraged on the use of Information Technology ("IT") to increase our productivity. From the centralised procurement system, to computerised data-based 3D engineering design, to real-time project management and finance reporting, our IT systems help us to monitor our projects and apply risk-control strategies. There is yet more potential for Rotary to exploit IT use in this aspect as well as other areas, for further productivity gains.

In this troika of Man, Material and Machine, Human Capital remains the most important component. We ensure that our workforce is well-trained and has the best equipment to execute our job well. On-site concrete batching plants, use of automatic welding machines and field lifting equipment all help to increase the efficiency of the construction process. Our Global Workforce headquarters in Chennai, India, trains multi-skilled workers ready to be deployed to projects anywhere in the world. Our Human Resource department has a stringent procedure for recruiting the best workers for each project. Where project sites are far from base or situated on an island, we have, as in our Pulau Busing project here, built dormitories for our workforce to avoid time loss and fatigue from travel, resulting in a marked improvement in construction productivity and safety.

BUSINESS DEVELOPMENT

Rotary is continually seeking out business opportunities in Singapore, ASEAN and the Middle East by participating in tenders, direct negotiations and through strategic partnerships and joint ventures. We do not restrict ourselves to the role of a main contractor, and when appropriate, will take on the role of specialist sub-contractor, equity partner, or partner in a consortium. We are also open to exploring BOT ("Build-Own-Transfer") or BOO ("Build-Own-Operate") opportunities.

SINGAPORE

In Singapore, despite higher operating costs and a tight labour supply, there are still business opportunities for the Group, especially with the Singapore government's continued promotion of high value-add, specialty petrochemical, energy and pharmaceutical sub-clusters. The fast-growing Asian automotive industry has, for instance, attracted investment by lubricants, grease and automotive chemicals companies here. Rotary's projects in a lube blending plant and the Shared Lubricant Park in Tuas are examples of such projects. Furthermore, medium-sized specialty chemicals and pharmaceutical companies have also set up production bases here to tap into the comprehensive petrochemical ecosystem of Jurong Island. Rotary's clients in this niche include

Rotary is continually seeking out business opportunities in Singapore, ASEAN and the Middle East.

a manufacturer of chemicals used in the production of personal care and healthcare products; and a manufacturer of animal feed that uses the amino acid, Methionine.

The demand for LNG storage and regasification infrastructure in Singapore is set to increase as more players enter the nascent LNG ecosystem of suppliers and producers that Singapore is hoping to attract. With Rotary's inaugural win in Thailand's LNG project, we are poised to explore opportunities in the LNG market. In addition to the specialised LNG tankage that is required, opportunities exist for the EPC of LNG jetties, topsides and pipelines.

MIDDLE EAST

Despite current low crude oil prices, the Middle East offers good business opportunities. The Gulf Cooperation Council countries aim to be more than just oil producers and see potential in value-adding in storage and distribution, oil refining and the development of entire petrochemical complexes. The current contango in the crude oil market will add impetus to this. The Group's successful execution of its SATORP and Fujairah Oil Terminal projects have established Rotary in Saudi Arabia and the United Arab Emirates as a quality contractor able to undertake and deliver the most complex projects. We are currently actively exploring more business opportunities in the Gulf Cooperation Council countries and are confident that we will be able to capitalise on our established track record. We also recently completed the training of engineers from Oman to familiarise them with our engineering and construction systems, and to build a long-term relationship with the Oman group they are employed by.

More countries are also adopting an eco-friendly energy policy; and increasingly, like in Europe, they are looking at bio-fuels accounting for a regulatory percentage of their total energy use. This has led to some plans in the Middle East for bio fuels production, and Rotary is exploring these opportunities. The projects will involve not only tanks for bulk liquid storage, but also silos and conveyor belts for transportation and storage of the raw materials needed for bio fuel production.

ASEAN

Singapore's small land area limits development of large bulk liquid terminals, although there is still market potential as the Republic moves up the value chain to build smaller-volume, but high-value chemicals/oil products storage. The market for construction of larger oil storage terminals has largely shifted to neighbouring Malaysia and Indonesia. Much like the well-known ARA ("Amsterdam-Rotterdam-Antwerp") oil storage hub in Europe, this growth area encompassing Singapore, Johor and the Riau Islands ("SIJORI") holds much future potential.

As the economy of Indonesia - with its archipelago of 17,000 islands - grows, it will need more storage/distribution terminals to serve as hubs or sub-hubs for oil and other bulk liquids required by power stations and consumers there. There will clearly be demand for terminals in various strategic locations. In Johor, at Tanjong Bin, Tanjong Piai and Pengerang, there are also plans by the Malaysian government and independent operators to expand or build new oil and gas storage and gasification terminals. We are monitoring these developments and have initiated moves to tap into opportunities there.

In Thailand, Rotary has an established track record in the Map Tha Phut petrochemical area of Rayong province. We continue to receive invitations to bid for projects or to be directly assigned projects by the major oil companies and contractors there as a testament of their trust in us.

QUALITY, OCCUPATIONAL HEALTH, SAFETY AND ENVIRONMENT

Quality, occupational health, safety and environmental management (HSE) are an integral part of Rotary's culture and operations. Without systems for managing Quality and HSE, we would not be able to be efficient in our operations. Rotary's work force strives for continuous improvement in Quality and HSE standards. The Fujairah Oil Terminal was completed with a recorded 5 million incident-free man hours. This is the first project in Fujairah to achieve

this feat. The group has set Key Performance Indicators (KPI) on HSE and all employees undergo a minimum of 50 hours training to ensure that their projects are able meet the HSE KPI set for their projects.

All companies in the Group have achieved BIZsafe Star, the highest level in the 5-step program of Singapore Ministry of Manpower's Workplace Safety and Health (WSH) programme. At the national level, Rotary is a BIZsafe programme partner for HSE training to suppliers & subcontractors in the process, construction and shipbuilding industries. The

We are taking steps which will transform Rotary into a high-productivity, high value-add company with not only strong project revenue but also a steady income stream, like that from operation of storage terminals. We will stay resilient amidst the volatile business environment.

Group integrates its Quality Management System with its HSE system and is certified for the ISO 9001 quality management system standard, ISO 14001 environmental management standard and OSHAS 18001 occupational health and safety standard.

In 2014, Rotary garnered seven Royal Society for the prevention of Accidents (RoSPA) Gold Achievement Awards. These Achievement Awards assess the adequacy and quality of an organisation's HSE system judged against the Society's established criteria. Candidates answer questions on key HSE issues and support the answers with comprehensive relevant documentation. Rotary also secured 6 awards from WSH (5 WSH Performance Silver Awards and 1 Safety & Health Recognition for Projects award).

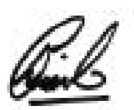
SUSTAINABLE GROWTH. SMARTER MOVES

To conclude, despite the current tough times, there are still opportunities that we can capitalise on. We are taking steps which will transform Rotary into a high-productivity, high value-add company with not only strong project revenue but also a steady income stream, like that from operation of storage terminals. We will stay resilient amidst the volatile business environment.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my deepest appreciation to our shareholders, customers, business associates and suppliers for their unwavering support and trust in us. My deep-felt gratitude also goes to the management and staff for their hard work and dedication, without which we would not be where we are today.

Last but not least, I would like to thank the Board of Directors for their invaluable guidance.



ROGER CHIA KIM PIOW
Chairman and Managing Director

BOARD OF DIRECTORS

FROM LEFT TO RIGHT:
William Chia Kim Chua
Badri Narayanan Santhana Krishnan
Roger Chia Kim Piow
Lam Khin Khui
Keith Tay Ah Kee
Jenny Wong Oi Moi

ROGER CHIA KIM PIOW

Chairman & Managing Director

Roger 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 is 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. His impeccable leadership led Rotary Engineering Limited to be prized Enterprise of the Year at the Singapore Business Award 2008. He was awarded Chief Executive Officer of the Year (Companies with $300 million to $1 billion in market capitalization) at the Singapore Corporate Awards 2009, 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.

WILLIAM CHIA KIM CHUA

Executive Director

William Chia Kim Chua joined the Group since 1980 and 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 overseeing Rotary IMC Pte Ltd and Rotary Mechanical and Construction Co Pte Ltd, our maintenance and mechanical construction arms respectively. He holds a Diploma from the Singapore Polytechnic.

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 (now known as Institute of Singapore Chartered Accountants) 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.

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 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.

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.

JENNY WONG OI MOI

Non-Executive Director

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

SENIOR MANAGEMENT

FROM LEFT TO RIGHT:
Elsie Low
Leong Sook Han
Koh Chun Peng
Ho Se Wai

ELSIE LOW

Human Resource Director

Rotary Engineering Limited

Elsie Low has more than 20 years of experience in the area of human resource management and accounting. She has worked in local and multi-national corporations in diverse industries. She holds a Masters in Business Administration (Finance) Degree from University of Leicester and a Bachelor of Business Administration (Human Resource) Degree.

LEONG SOOK HAN

Chief Financial Officer

Rotary Engineering Limited

Han joined the Group in January 2015 and is a seasoned finance practitioner with over 20 years of work experience in the oil and gas sector, fast moving consumer electronics business and energy efficiency & infrastructure divisions of multinational companies. She has spent consecutively more than 10 years of her career in international assignments based in Hong Kong, Europe and China.

Her experience included areas of finance, strategic planning, treasury, M&A, business development and divestment. She has acted as a key member of the leadership & management team in the various regional and global roles that she has undertaken.

Han holds a Master in Applied Finance from the Macquarie University and a Bachelor of Accountancy from the National University of Singapore. She is a non-practising member of the Institute of Singapore Certified Accountants (ISCA).

KOH CHUN PENG

Business Development Director

Project Proposal Director

Rotary Engineering Limited

Koh Chun Peng joined the group in 2007, and has 15 years of market entry and business development experience. He heads both the Group's Business Development Department and the Project Proposal Department. Chun Peng covers the key markets of South-East Asia and the Middle East, and leads project origination, tender preparation, commercial negotiation and investments. In addition, he heads the Group's corporate strategy and planning function.

A former government scholar, he has held managerial positions in 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.

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 multi-national companies, both in the IT vendor environment as well as in-house operations. These include 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).

SENIOR MANAGEMENT

FROM LEFT TO RIGHT:
Khin Maung Myint
Meena Natarajan
Babu Sajeesh Kumar

KHIN MAUNG MYINT
Group Technical Director
Rotary Engineering Limited

Khin Maung Myint is the Technical Director of Rotary Engineering Limited and has more than 44 years of experience in the Petroleum and Petrochemical Industry. Since joining the Group in 1989, he has been involved in project management, procurement, construction, testing and commissioning of Oil & Gas and Petrochemical Projects in Asia, Africa and the Middle East. He holds a Bachelor of Mechanical Engineering from the Rangoon Institute of Technology, Myanmar. Before joining the Group, he had been involved in Grass Root Petrochemical Complex Construction, Operation and Maintenance in Myanmar for 18 years.

MEENA NATARAJAN
Engineering Director
Rotary Engineering Limited

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

BABU SAJEESH KUMAR
QA/QC Director
HSE Director
Rotary Engineering Limited

Babu Sajeesh Kumar hailed from India and a naturalized Singaporean since 2008 progressed his 20 years of career from QC Inspector working for Energy (Thermal & Nuclear), Refineries & Petrochemical, Oil & Gas, Building & Construction Industry in India, Middle East, Hong Kong & Singapore. Currently he is holding a position of Group Quality Director & Interim HSE Director. He holds a Masters of Engineering from University of South Australia& Bachelor of Engineering from Griffith University. He is a Chartered Manager & Fellow from the Chartered Management Institute, UK. He is also a Chartered Engineer from The Institution of Engineering & Technology, UK &The Welding Institute, UK. He holds a NDT Level 3 qualification from ASNT for most of the test methods. He is a member of various professional organisations, currently the President of Non-Destructive Testing Society (Singapore), Fellow of Hong Kong Institute of Certified Auditors & General Secretary of International Committee for NDT (ICNDT), Vienna. His experiences include Quality Assurance & Control, Testing & Inspection, Training & Certification, Safety & Environment, Sales & Business Development. He is a recipient of SPRING Singapore MERIT AWARD in 2014.

SENIOR MANAGEMENT

FROM LEFT TO RIGHT:
Edwina Wong
Tony Fam
Wong Kar How
Kellin Tham

EDWINA WONG

General Manager

Rotary IMC Pte Ltd

Edwina Wong brings with her more than 10 years of maintenance and operation experience in petroleum, chemicals plants and storage terminals in Singapore. As the General Manager, she oversees the daily operations of Rotary IMC's maintenance projects, such as Plant Shutdowns, Turnarounds and Scheduled/ Ad-hoc Maintenance. Together with Senior Management, Edwina ensures project execution is in compliance with the Group's various policies. Edwina holds a Degree in Mechanical Engineering from Australia and a Diploma in Mechanical Engineering.

TONY FAM

Group General Manager

Thai Rotary Engineering Public Co. Ltd.

Rotary-Thai Construction Pte Ltd

Tony joined Rotary-Thai Construction Pte Ltd ("RTC")as Project Manager in March 2007, and concurrently assigned as the Vice President for Thai Rotary Engineering Public Co. Ltd. ("TREL") responsible for the business development division in Thailand. Both RTC and TREL are Rotary Group subsidiary companies.

In 2011, Tony was appointed as General Manager for both RTC and TREL, and subsequently elevated to the Group General Manager position in 2013.

Tony spearheads both RTC and TREL in the field of tankage construction business, and focuses on driving sustainable growth and profitability for the Group.

Tony brings with him more than 25 years of related industry experiences in both project management and business development fields. 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).

WONG KAR HOW

General Manager

Rotary Mechanical & Construction Co. Pte Ltd

Since joining the Rotary Group in 2012, Wong Kar How has been involved in the operation management of Rotary Mechanical and Construction, focusing on almost all Singapore construction projects within the Group and from direct clients. These include oil & gas, petrochemical, power plant and various other projects. He works closely with other Business Units of the Group and together with Senior Management, ensures all projects are executed in compliance with the Group's policies, procedures and execution methods.

He holds a Masters Degree in Engineering from the United Kingdom, and an Electronic Engineering Diploma from a Malaysian institution. He is also a registered Associate Member of Chartered Institute of Arbitrator from the United Kingdom. Before joining the Group, he had previously worked in a project management role related to the Oil & Gas and Infrastructure industry for more than 20 years in the region.

KELLIN THAM

Procurement Director

Rotary Engineering Limited

Managing Director

Rotary Electrical & Instrumentation Pte Ltd

Supermec Pte Ltd

Kellin Tham has played an instrumental role in the Group's various operations since joining the Group more than 20 years ago. On a daily basis, her responsibilities include overseeing the execution of all Electrical and Instrumentation construction and EPC projects, driving the business growth of Supermec Pte Ltd, and managing all local and overseas procurement needs of the Group.

SENIOR MANAGEMENT

FROM LEFT TO RIGHT:
Boban Joseph
Tommy Chia
Udomdech Chakaew

BOBAN JOSEPH

Country Manager

United Arab Emirates / Oman

Boban Joseph is the Country Manager for United Arab Emirates (UAE) and Oman regions, where the group has its Middle East existence stalwartly. He joined the Group in 2013 as Deputy Project Manager of the prestigious Fujairah Oil Terminal project. In August 2014, he was upheld as Regional Business Development Manager for UAE and Oman Operations. He is a result-oriented and proficient manager, experienced in leading high-performance teams. His focus is, always to build and establish market position, by negotiating and strengthening the business relationships with Middle East oil clients.

Boban holds a Bachelor Degree in Mechanical Engineering from Mahatma Gandhi University (India) and Professional Diploma in Planning and CADD. Prior to joining Rotary, he worked with Saudi Aramco Total Refining and Petrochemical Company (SATORP) in the Project Management Team.

TOMMY CHIA

Business Development Director (Kingdom Of Saudi Arabia)

Petrol Steel Company Limited
Rotary Arabia Company Limited

Tommy Chia joined the Group in 2014 and assumed the role of Business Development Director for Kingdom of Saudi Arabia, with his key focus on the expansion of Rotary Arabia Co Ltd and Petrol Steel Co Ltd in the state. Tommy leads his team with more than 30 years of business experience in the Middle East, and his business acumen proves to be an asset for Rotary's business development in the region. His global experience in the marine field has made him a natural leader to propel his team to grow and strengthen the Group's foothold in Saudi Arabia, and establishing solid networks for a stronger market presence. Under his guidance, the team strategises to explore the vast opportunities available in the region where it is the world's dominant oil producer and exporter.

UDOMDECH CHAKAEW

General Manager

Thai Rotary Engineering Public Co. Ltd.

Udomdech joined Thai Rotary Engineering Public Co. Ltd. ("TREL") in 1996 as a field engineer and rose to the project manager position in 2004 responsible for both the project task force and business development/proposal divisions .In 2013, Udomdech was appointed as the General Manager of TREL.

He brings with him more than 15 years of experiences in the fields of construction/project management; proposals and business development. He is task to lead TREL forward for next growth path.

TREL, a wholly owned subsidiary of the Rotary Group, is located in Banchang-Rayong, Thailand. Since its inception in 1993, TREL has grown from a modest shop fabrication based set-up to an integrated engineering, procurement and construction ("EPC") company with a proven track record for both local and regional markets in the petrochemical, storage terminal, pharmaceutical and oil and gas industry.

Udomdech holds a Bachelor of Mechanical Engineering from the King Mongkut's University of Technology, Thonburi. He also holds a Masters of Business Administration from the Srinakharinwirot University.

SENIOR MANAGEMENT

FROM LEFT TO RIGHT:
James Robert Prakash
Andy Ng
Elango Ganesan
Ramu Baskar

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, Middle East and other countries, and lucratively implemented terminal automation systems for refinery & storage tankfarms for Saudi Aramco, Total, Shell, Oiltanking, Vopak, Universal Terminal, BP, Power Seraya Sinopec and various other clients. He has 18 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 similar independent projects. James Robert holds a Bachelor of Engineering in Instrumentation and Controls.

ANDY NG

General Manager

Roil Pte Ltd

Oro Storage Asset Management Pte Ltd

Andy Ng is the General Manager of ROIL Pte Ltd and Oro Storage Asset Management Pte Ltd, both Rotary Group subsidiary companies. He joined the Group in 2010 as the Senior Manager of Business Development responsible for securing projects in the Middle East and North 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 Rotary, he was the Chief Operating Officer of NextView Pte Ltd.

ELANGO GANESAN

Procurement General Manager

Rotary Engineering Limited

Elango joined the Group in 1995. He has since successfully managed numerous projects for strategic procurement and effective supply chain management in Singapore and other countries, such as refinery & storage tankfarms for Saudi Aramco, Oiltanking, Vopak, Universal Terminal, BP, Power Seraya and various other clients. He has 20 years of experience in oil & gas projects in procurement and supply chain management in addition to project and construction management. He works closely with the Project Management and Engineering teams to deliver optimised procurement strategies and plans for EPC projects. Elango holds a Masters of Engineering degree in Mechanical Engineering.

RAMU BASKAR

Project Director

Rotary Electrical & Instrumentation Pte Ltd

Ramu Baskar joined the Group in 1993 as a Project Engineer after completing 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 E & I works for Evonik Me5 Project and Nalco EHCP Project. Baskar 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 executing and completing the electrical & instrumentation works for the Arkema Thiochemicals (Malaysia) Project.

ORGANISATION STRUCTURE

ROGER CHIA KIM PIOW
Chairman & Managing Director

WILLIAM CHIA KIM CHUA
Executive Director

LEONG SOOK HAN
Chief Financial Officer

CONTRACT & LEGAL

WILLIAM CHIA KIM CHUA
Executive Director

QUALITY ASSURANCE & CONTROL

BABU SAJEESH KUMAR
Director

PROJECT MANAGEMENT TEAM

WILLIAM CHIA KIM CHUA
Executive Director

ELECTRICAL & INSTRUMENTATION

KELLIN THAM
Managing Director
Rotary Electrical & Instrumentaion Pte Ltd

MECHANICAL

WONG KAR HOW
General Manager
Rotary Mechanical & Construction Pte Ltd

MAINTENANCE

EDWINA WONG
General Manager
Rotary IMC Pte Ltd

TANKAGE

TONY FAM
Group General Manager
Rotary-Thai Construction Pte Ltd

ENGINEERING

MEENA NATARAJAN
Director

PROCUREMENT

KELLIN THAM
Director

We are always creating new tools and techniques to help people, but the fundamental framework is remarkably resilient, which means it must have something to do with the nature of organizations or human nature.

John P. Kotter

IT	PROJECT PROPOSAL	BUSINESS DEVELOPMENT	HUMAN RESOURCE	HEALTH, SAFETY & ENVIRONMENT
HO SE WAI	**KOH CHUN PENG**	**KOH CHUN PENG**	**ELSIE LOW**	**BABU SAJEESH KUMAR**
Chief Information Officer	Director	Director	Director	Director

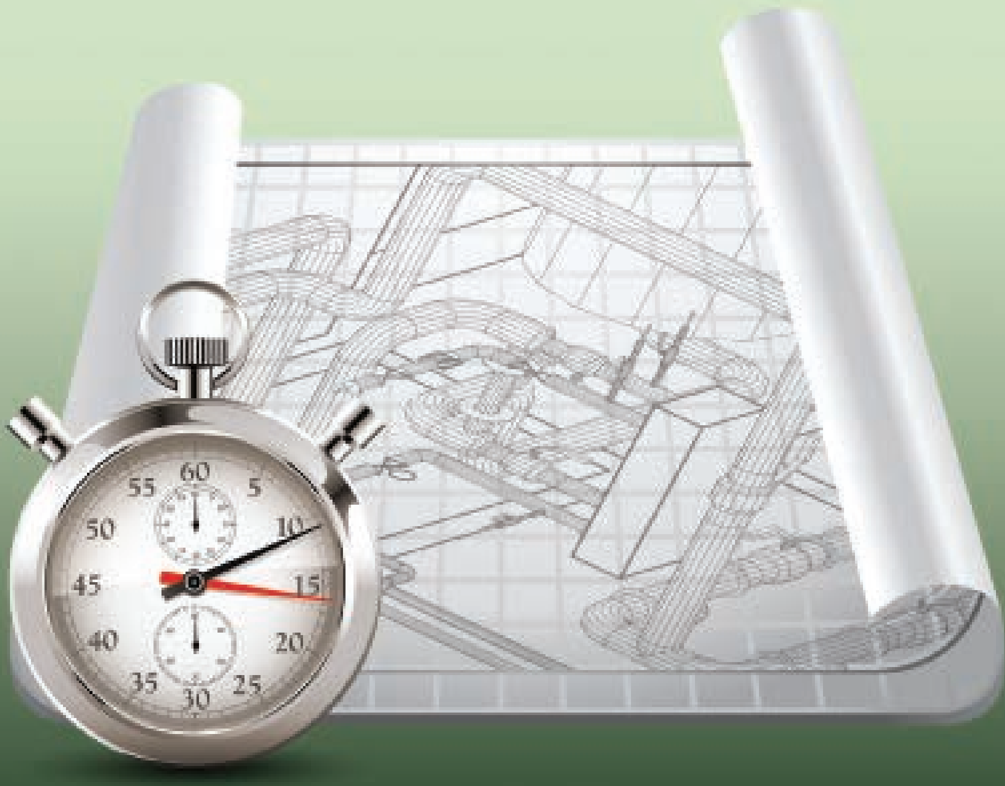
SINGAPORE	**ROGER CHIA KIM PIOW** Chairman / MD	Rotary Electrical & Instrumentation Pte Ltd Rotary Mechanical & Construction Co Pte Ltd Rotary IMC Pte Ltd Rotary-Thai Construction Pte Ltd
THAILAND	**UDOMDECH CHAKAEW** General Manager	Thai Rotary Engineering Public Company Limited
SAUDI ARABIA	**TOMMY CHIA** Business Development Director	Petrol Steel Company Limited Rotary Arabia Company Limited
UAE	**BOBAN JOSEPH** Country Manager	Rotary Engineering Fujairah FZE Rotary Engineering Limited Fujairah Rotary Engineering Limited Abu Dhabi
MALAYSIA	**MOHD JAZLI** Acting General Manager	Rotary MEC (Malaysia) Sdn Bhd
INDONESIA	**WILLIAM CHIA KIM CHUA** Executive Director	P.T. Rotary Engineering Indonesia
OMAN	**BOBAN JOSEPH** Country Manager	Rotary Engineering Limited (Commercial Representative Bureau)

SMARTER STRATEGIES GREATER VALUE.

We provide quality services that consistently meet our clients' needs and expectations through excellence in our operations.

We understand that in your industry, time is money. This is where our decades of experience in designing and constructing bulk liquid storage facilities differentiate us. Rotary's expertise builds from pre-planning, construction work instruction (CWI), layout optimization & tank configuration, practical & effective solutions to your operational needs, execution and deployment of customized construction techniques for local regulatory and climatic conditions, helping you to save time.

It's all down to smart planning.



GLOBAL PRESENCE


CHINA
INDIA
THAILAND
VIETNAM
SRI LANKA
BRUNEI
MALAYSIA
SINGAPORE
INDONESIA
AUSTRALIA
LEGEND
Rotary's Offices
Rotary's Global Footprint

OPERATIONS REVIEW

In 2014, Rotary successfully completed a number of projects which showcases the Group's transformation and growth over the years from a tankage construction contractor into a provider of one-stop integrated storage solutions. It reflects the Group's responsiveness to customers' changing requirements as well as to the ever-evolving business environment – an attitude ingrained in Rotary's DNA since its inception.

The pace of change has never been greater than in recent years. Today's clients want more than EPC (Engineering, Procurement, Construction). They want us to be involved in their initial FEED (Front-End Engineering Design) studies, in optimising land use and tank storage capacity for them, and in building entire plants that integrate their production technology. Projects are now more likely to also include the installation of advanced electrical and instrumentation systems, pumps and other mechanical systems, as well as the construction of jetties, topsides, and pipelines.

The Group's four core business units comprising Tankage, Electrical and Instrumentation (E&I), Mechanical, and Maintenance work as a tightly-knit team to manage and execute such high value-add and complex projects. They are further supported by the corporate functions of Finance, Health, Safety and Environment, Human Resource, Quality Assurance & Quality Control, and Information Technology.

Our projects have now advanced higher up the value chain of engineering construction and we have, over the years, significantly improved on our margins despite the rising cost of labour and raw materials. Innovative thinking and operational efficiency lie at the heart of our productivity-driven approach to operations. Over the years, our projects have also become more international-based. Although Singapore is still our key market accounting for 63 per cent of revenue in 2014, we have projects in Saudi Arabia, the Emirates, Thailand and Malaysia, and we intend to expand this list of countries consistently. To operate successfully in each country requires impeccable knowledge of the local business and regulatory environment plus the ability to work complementary with local partners and subcontractors.

2014 was also a milestone for the Group when we acquired a 10 per cent stake in an independent bulk storage for petroleum products terminal in Indonesia. The terminal is strategically located on a main shipping route for crude oil and petrochemicals. The terminal has a very well-trained operational team, and we have additionally contributed our engineering and maintenance expertise as well as brought over some of its staff to Singapore for training. This is part of the Group's latest strategy of also investing in viable businesses that provide a recurring income, so as to balance the volatile nature of project-based revenue. Furthermore, it also gives the Group a foothold to explore more such opportunities in the large Indonesian market.

In the following pages, we will showcase a selection of ongoing projects, as well as some completed in 2014, highlighting the significance of each project, stating the challenges we faced, and elaborating on the innovation that has enabled us to deliver each project on time and on budget.

BULK STORAGE TERMINAL FOR PETROLEUM PRODUCTS, INDONESIA

The independently-operated terminal is fully operational and well-located to serve as a break-bulk terminal for distribution of petroleum products to other parts of Indonesia. Products stored include jet fuel, Mogas (Motor Gasoline), Naphtha (Napthalene), MTBE (Methyl Tertiary-Butyl Ethel), fuel oil and diesel. Rotary's 10 per cent stake in the terminal marks a new investment strategy to provide steady recurring income stream for the group, and set the stage for more such future investments in other viable projects.

PROJECT HIGHLIGHTS

SINGAPORE

Phase 6 Storage Tanks Development Project (On-going. Date of completion: 1st half 2015)

This S$300 million EPC terminal expansion project for Tankstore on Pulau Busing involves the building of 24 new tanks for an additional 790,000 cubic metres of storage capacity, a new Pump Station and tie-ins with existing terminal and jetty facilities.

Innovative thinking was required to overcome project space constraints and the disadvantages due to the long travelling distance from mainland Singapore. We set up our own concrete batching plant, a seawater desalination plant, and constructed a floating pontoon for a passenger ferry as well as a temporary barge ramp for the transportation of workers and materials. Prefabrication of parts was done offsite in our prefabrication facilities in Tuas and Batam. We also minimised workforce downtime from travel and fatigue by building a worker dormitory on the island, thus improving efficiency and productivity.

Lube Park Shared Facility Project (Ongoing. Date of completion : 2nd half 2015)

Located at Tuas, Rotary's scope of work for this EPC project includes carrying out detailed engineering and construction of 77 storage tanks with a storage capacity of 147,800 cubic metres. The space constraints of the Tank Farm necessitated innovative engineering to accommodate all 77 tanks. The works included jetty topside, electrical and instrumentation, and construction and commissioning of the common facilities and utilities of the shared lube park. The experience gained from construction of the shared lube park is invaluable for the Group especially as more opportunities arise from the increasingly-popular concept of having industrial parks built for specific industries, and which come with shared facilities for its occupants.

Lube Oil Blending Plant Project (On-going. Date of completion: 1st half 2015)

This project involved the EPC of 53 storage tanks including buffer tanks with a total storage capacity of 7,804 cubic metres. It marks Rotary's first tankage erection work using a moving and sheltered gantry crane. These gantry cranes significantly increase productivity as they have zero crane set-up time. Their ability to span across the whole tank construction area also made for more efficient and safer lifting of materials and equipment. The shelter also allowed work to be carried out on rainy days and in hot weather.

Butadiene Spherical Tank Storage & Its Related Facilities Project (Completed in 2nd half 2014)

The scope of work here included the construction of 3 Spherical Tanks with total storage of 12,000 cubic meters. This is the first EPC spherical

tank project undertaken by Rotary. The 30mm-thick tank plates and appurtenances were fabricated in our Thai Rotary (TREL) workshop in Rayong and shipped over to the project site. Tank specialists from TREL were also seconded for this project under Rotary's Global Workforce Scheme (GWF).

We adopted Phased Array Ultrasonic Testing (PAUT) instead of the more commonly used Radiographic Testing (RT) for welded seams. Given that RT can only be used at night, by using PAUT, erection could be done during the daytime as well. This allowed us to complete the project ahead of schedule.

Croda Alkoxylation Project (On-going. Date of completion: 1st half 2015)

We are elated to be awarded several contracts for the Alkoxylation Project by our new client Croda. Croda is one of the new medium-sized specialty companies that have come to tap into the Jurong Island petrochemical ecosystem. The 2 contracts awarded to Rotary will end in early 2015. Scope of works include: structural steel works for pipe racks, transformer shelter, cooling tower, tank farm, module reactors and pipe support for the steel structure works contract; provision of piping materials, fabrication, site installation and testing, installation of free-issued equipment and insulation works for both piping and equipment for the Mechanical and Piping Works contract.

EHCP Project (Completed in 2nd half 2014)

Rotary's project for Nalco Champion's Eastern Hemisphere Core Project was a comprehensive Electrical & Instrumentation (E&I) project requiring a high level of E&I expertise. This EPC project was a challenging job due to its intricacies. Plenty of precised engineering coordination was necessary to identify the issues and to resolve them on time. Scope of works included the installation of control valves, air manifolds, field instrument installations, calibration checks and loop checks. This well-executed project enabled us to be awarded the Extra Low Voltage (ELV) package as an additional order for the project.

MIDDLE EAST

Fujairah Oil Terminal (Completed in 2nd half 2014)

This project, consisting of 36 tanks stretches across 3 tank farms with a total capacity of 1.2 million cubic metres had a completion deadline of 22 months. The US$250 million project was also our first in UAE. Thus, we took the necessary time required for us to familiarise ourselves with the local set-up and to recruit a new team of 200 staff to establish a strong base for our set-up. However, due to unfamiliarity with the local processes, it took us a longer time to obtain the building permit. In spite of the initial challenges, the construction process, went smoothly and was completed in a record of 15 months.

Rotary was also involved in the FEED stage and developed the concept for the client. Through many design revisions, Rotary supported the owner and assisted in the achievement of the client's goal. Initially, the first proposal was for a 900,000 cubic meters terminal. Through innovative engineering, Rotary helped to increase the total capacity to 1.2 million cubic meters.

The testimony and the experience we earned from this project will undoubtedly pave the way for many future projects in UAE and the rest of the Middle East.

Port of Fujairah VLCC Jetty Project (On-going. Date of completion: End 2015)

The success of the Group's US$250 million Fujairah Oil Terminal project has brought high visibility and credibility to Rotary, with invitations to bid, negotiate or be part of a bidding consortium for other projects in the Middle-East. Among the latest projects secured is the Port of Fujairah's new jetty for the berthing of VLCC's (Very Large Crude Carriers). The Port of Fujairah is one of the largest in the world for the handling and storage of oil-based bulk liquid cargoes and it is expanding its capacity to meet the demand of a growing number of independent oil terminal operators that have set up there. Rotary, as the leader of a consortium that includes Belgian jetty construction specialist Six Construct Ltd, is involved in the construction of the jetty topside.

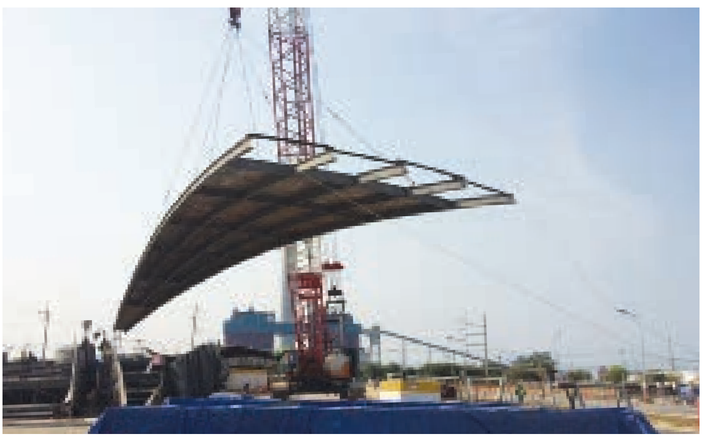
THAILAND

LNG Receiving Terminal Expansion Project-Phase II (On-going. Date of completion: End of 2016)

Rotary secured this project from LNG contractor IHI Corporation of Japan. It marks our first construction experience for double-walled cryogenic LNG Storage Tanks capable of holding liquids at a temperature of -160 degrees centigrade. Two LNG storage tanks of 160,000 cubic metres capacity each are due for delivery in 2016. This project extends the Group's technical capabilities for cryogenic tanks. To date, Rotary's experience in constructing cryogenic tanks only covered ammonia and ethylene. Months of preparatory work preceded the securing of this project. We sent staff overseas for advanced technical training on LNG tankage construction, insulation materials, process and pre-commissioning.

PTT Phenol Train II Project (On-going. Date of completion 1st half 2015)

Rotary will deliver 10 x API 650 and API 620 tanks with total storage capacity of 160,000 cubic metres to our client in Map Ta Phut, Rayong in 2015. For this project, TREL implemented the hydraulic jack-up method for the two stainless steel tanks, a first by any company in Thailand. The jack-up method involves the use of a series of hydraulic jacks on the circumference of the tank's foundation and gradually building up the tank from the top steel ring down. No cranes are required and all work is done on the ground thus minimizing the risk of accidents from heights.



UHV Plant Project for IRPC (Ongoing. Date of completion 1st half 2015)

This project is for the EPC of 7 spherical tanks and the fabrication and construction of 20 atmospheric tanks. IRPC (Integrated Refinery and Petrochemical Complex) is owned by Thailand's State-owned PTT oil and gas company. IRPC's UHV (Upstream Project for Hygiene and Value-Added Products) is a high-value plant that will process and refine crude oil into gasoline, kerosene and light oil and use the remaining atmospheric residue to manufacture Polypropylene, Diesel, Ethylene and Naphtha.

Rotary will be using the tank jack-up method for the atmospheric tank (ATM) construction. For ATM tanks in particular, the jack-up method helps to speed up construction. It also helps to reduce equipment and manpower costs. Though we are still in the midst of this project we have already achieved 1 Million Safety Man hours and counting.

Aluminum Dome Cover Project (Completed 2nd half 2014)

This was the first tank of Aluminum Dome Roof installation in a Thai oil plant by TREL. The T-3091 tank with a storage capacity of 21 980 cubic metres was delivered in 2014.

MALAYSIA

Arkema Lychee Project (Completed in 1st half 2014)
The E&I scope includes equipment installation, cable pulling and glanding. Rotary MEC also undertook the purchase and supply of bulk materials, ELV system design and Heat Tracing System. The project was successfully delivered in 2014

Chevron (On-going. Date of completion: 1st half 2015)
Rotary MEC was awarded this contract in September 2013. The scope of works includes provision, installation, modification, testing and commissioning works for the upgrading of the Terminal Automation System.

Maintenance Projects
Maintenance work for refineries and plants is carried out by Rotary's Maintenance unit. After the construction stage, many of our customers also sign up for planned maintenance programmes with us. Maintenance plays an important role in that it enables Rotary to further its relationship with customers as well as provide an additional source of regular revenue for the Group. In addition to the planned maintenance programmes, we have highlighted two turnaround maintenance projects in below.

Seraya 2 (S2) TA14 (completed in 2nd half 2014)
This turnaround (TA) programme for Shell oil company is a major planned maintenance of the S plant comprising five AET units. Rotary Integrated Maintenance

Company (RIMC) undertook the work for two AET units namely, AET 1B and 1C. Scope of work comprises Static Rotating Equipment and Piping Work. In terms of contract value, this is the largest TA project that RIMC has done for Shell on Jurong Island. Given the tight budget, effective allocation of manpower and equipment utilization was vital for this TA to succeed. Productivity was closely monitored and the project was delivered promptly.

PF4 Tank Rehabilitation Project (On-going. Date of completion: 1st half 2015)
This is a project for the extensive rehabilitation of a 57,000 cubic metres floating roof tank for ExxonMobil Asia Pacific. All bottom plates, annular plates, seals and pipeline nozzles had to be replaced. The tank's oily sand foundation was replaced with asphalt. The scope of work includes site construction work, painting and blasting of shell plates and wind girder and rebuilding of the external floating roof. Careful coordination was done prior to the jacking up. We had to be very careful when jacking up the tank with the pipelines attached because the pipelines still had residues of gas and was potentially hazardous for fire and explosion.

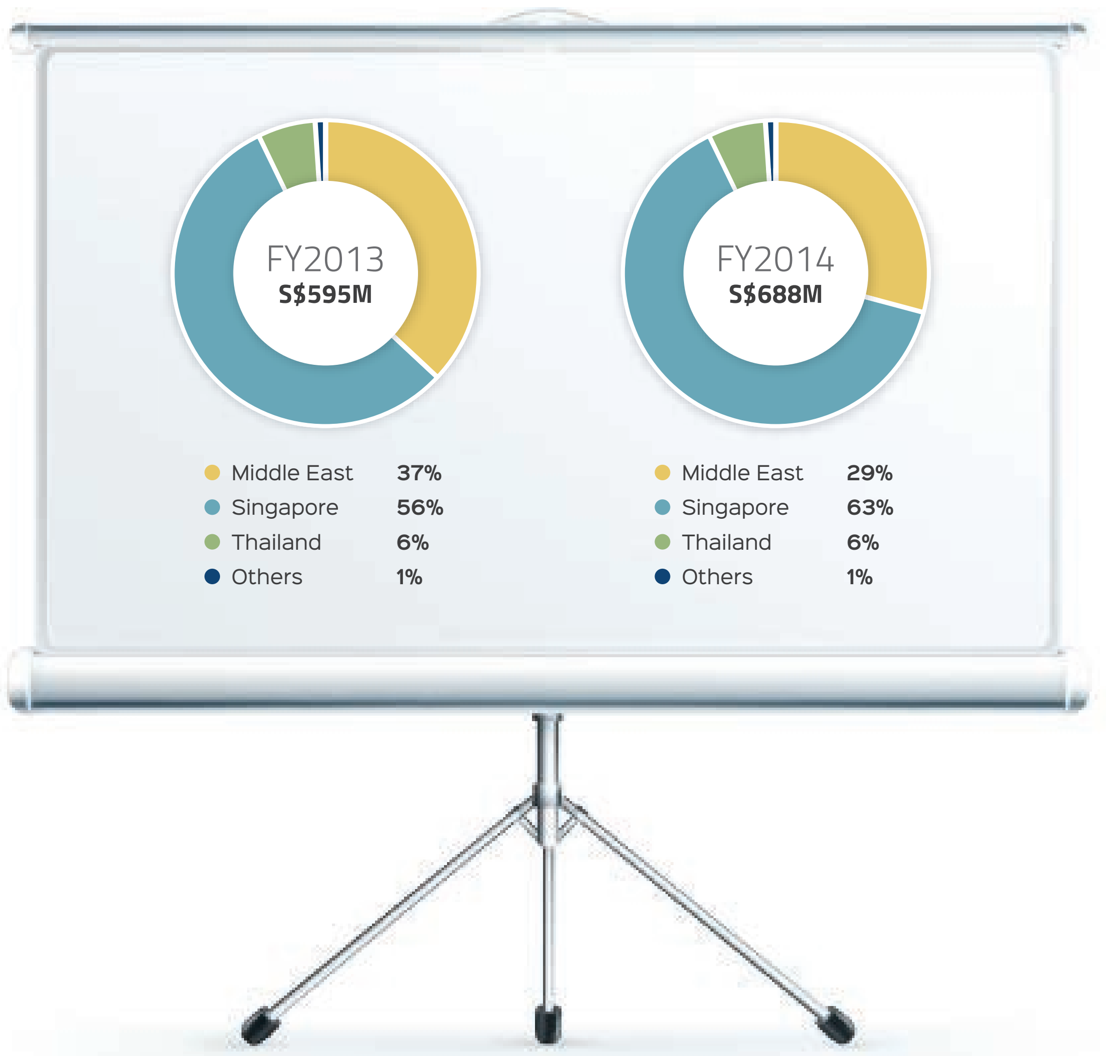
THE WAY AHEAD

We are proud to have expanded our capabilities to increasingly take on more complex projects and to up the value-add in our services to customers. We shall maintain our competitive edge by being a highly productive company driven by innovation and operational efficiency.

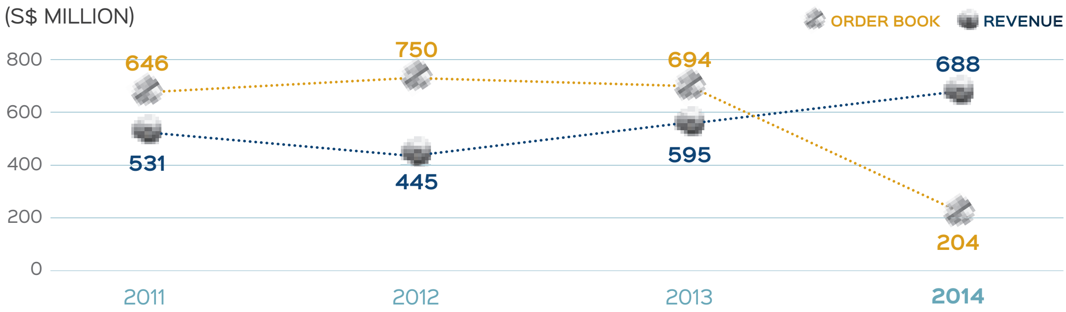
ROTARY SCORECARD

REVENUE BREAKDOWN

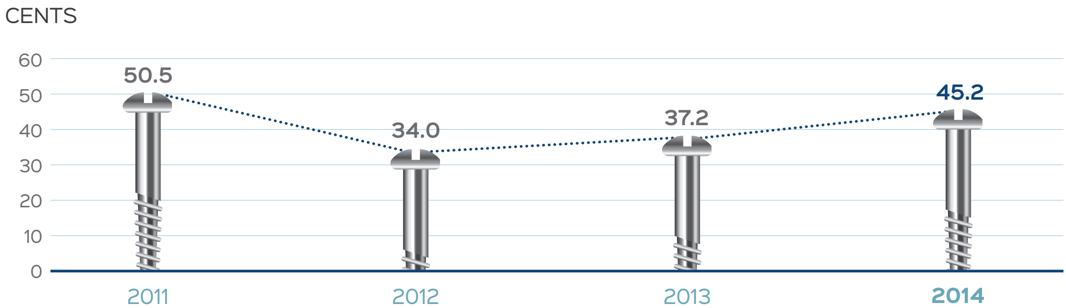
BY GEOGRAPHIC SEGMENT



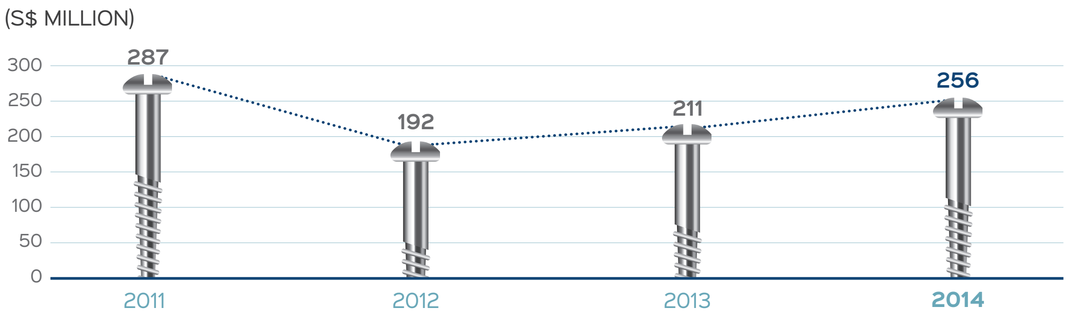
REVENUE & ORDER BOOK



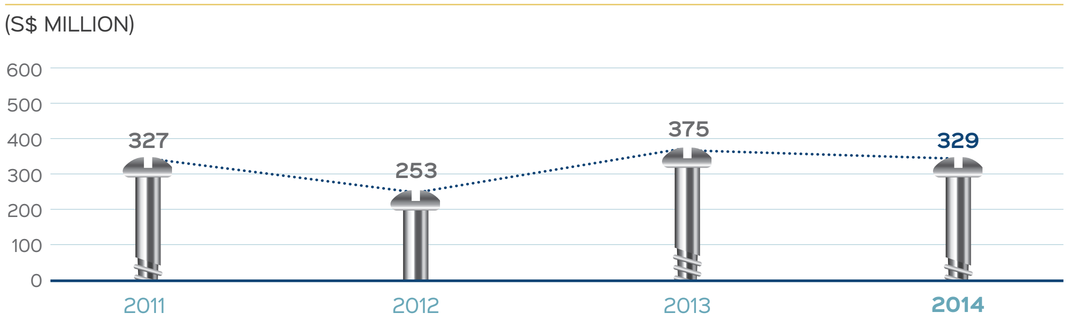
NET ASSET VALUE PER SHARE



SHAREHOLDERS' FUND



MARKET CAPITALISATION



SMARTER STANDARDS SAFER PEOPLE.

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

At Rotary we take care of our people. That's why we insist on the most stringent of safety processes at every stage of production, on and off site. By employing our people on a direct basis, we are better able to control quality and work in a safe working environment through regular safety training courses. We commit to the highest standards of regulatory practices, because protecting our clients' people and assets are our top priority.

Our people know that it's smart to work safe.

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.

Reference is made to the Code of Corporate Governance 2012 as revised by the Monetary Authority of Singapore on 2 May 2012 (the “Code”). The Board and Management have taken steps to the best it can to align the governance framework with the recommendations of the Code.

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 six Directors, of whom two are Executive, two are Non-Executive and two are Independent Directors. Accordingly, pursuant to Guideline 2.1 of the Code, at least one-third of the Board is made up of Independent Directors. The Board is made up of individuals from different professional, technical and financial backgrounds. The core competencies, qualifications, skills, experience, and knowledge are extensive and complementary. There is also a strong balance between the Executive and Non-Executive Directors and a strong and independent element on the Board, with no individual or small group of individuals dominating the Board’s decision making. Key information on Directors is set out on pages 12 to 13 of the Annual Report.

The Board is cognizant of the need to comply by its annual general meeting in 2018, with Guideline 2.2 of the Code which provides that where the Chairman is, *inter alia*, part of the management team or not an Independent Director, the Independent Directors should make up at least half of the Board.

The Board oversees the management of the business and affairs of the Group and ensures adequate financial and human resources are in place, sets 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.

Certain matters specifically reserved for decision by the Board include the strategies and objectives of the Group, announcement of quarterly and full year results and release of annual reports, issuance of shares, declaration of interim dividends and proposed final dividends, convening of shareholders’ meetings, material acquisition/investment, divestment or capital expenditure, corporate or financial restructuring and interested person transactions.

CODE OF CORPORATE GOVERNANCE

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:

		Committee Membership		
Director	**Nature of Board Member**	**Audit**	**Nominating**	**Remuneration**
Roger Chia Kim Piow	Chairman & Managing Director		Member	
Chia Kim Chua	Executive			
Jenny Wong Oi Moi	Non-Executive			
Badri Narayanan Santhana Krishnan	Non-Executive	Member		Member
Lam Khin Khui	Independent	Member	Chairman	Chairman
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 briefings, particularly on relevant new laws, regulations and changing commercial risks, from time to time. There is a programme to ensure new directors receive relevant briefings 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 Board conducts regularly scheduled meetings, with the schedule provided in advance to each Director prior to the commencement of each Financial Year. The Board meets at least four times a year at regular intervals. The Company's Articles of Association allows Board meetings to be conducted by way of a tele-conference or any other electronic means of communication.

CODE OF CORPORATE GOVERNANCE

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 2014	4	4	1	1
Name & Attendance of Director				
Roger Chia Kim Piow	4	-	1	-
Chia Kim Chua	4	-	-	-
Jenny Wong Oi Moi	4	-	-	-
Badri Narayanan Santhana Krishnan	4	4	-	1
Lam Khin Khui	4	4	1	1
Keith Tay Ah Kee	4	4	1	1

CHAIRMAN AND MANAGING DIRECTOR

Principle 3

Mr. Roger 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.

All major proposals from and important operational decisions by management are discussed and reviewed by the Board under the chairmanship of Mr. Chia. His performance and remuneration package are reviewed periodically by the Audit, Nominating and Remuneration Committees. The majority of these Committee members are Independent Directors of the Company, hence, the Board believes that there are adequate safeguards against an uneven concentration of power and authority in a single individual.

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

Guideline 3.3 of the Code of Corporate Governance recommends that a lead Independent Director should be appointed where the Chairman and CEO is the same person. The Nominating Committee does not consider it necessary to appoint a lead Independent Director as it is of the opinion that the role of Mr Chia as Chairman and CEO of the Company does not affect the independence of the Board. The Shareholder may also approach any Director for assistance if they have any concerns.

NOMINATING COMMITTEE

Principle 5

The Nominating Committee ("NC") comprises Mr. Lam Khin Khui as Chairman of the NC, Mr. Keith Tay Ah Kee, and Mr. Roger Chia Kim Piow.

Both Mr. Lam and Mr. Tay are Independent Directors.

The terms of reference for NC are in line with the recommendation of the Code.

The NC 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 and recommending 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 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, internal control & risk management, and Board's standards of conduct.

Following the review, the Board is of the view that the Board and its board committees operate effectively.

The NC also determines the independence of Board members. It reviews at least annually, whether an existing or new director is considered independent bearing in mind the Code's definition of independence. Mr. Lam and Mr. Tay have both served on the Board for more than nine years. The NC has conducted a rigorous review of their independence and contributions to the Board to determine if they still remained independent and carry out their duties objectively. The review included but was not limited to (i) whether he continues to express his views objectively and seek clarification and amplification when deemed necessary, (ii) whether he continues to debate issues objectively, (iii) whether he continues to scrutinize and challenge Management on important issues raised at meetings and (iv) whether he is able to bring judgment to bear in the discharge of his duties as a Board member and committee member. The Board concurred with the Nominating Committee's view that they are independent in character and judgment and there were no circumstances which would likely affect or appear to affect their judgment. The Board acknowledges their combined strength of characters, objectivity and wealth of useful and relevant experience bring themselves to continue effectively as Independent Directors. The Board also acknowledges and recognizes the benefits of the experience and stability brought by these long-serving Independent Directors.

CODE OF CORPORATE GOVERNANCE

In the determination of Mr. Lam's and Mr. Tay's independence, both of them have excused themselves respectively when it comes to the determination of their own independence.

No maximum number of listed company board representations was fixed as the NC has guidelines addressing competing time commitments faced when Directors serve on multiple listed company boards or have other principal commitments. Each Director is required to disclose to the NC his board representation. The NC has reviewed and is satisfied that the directors have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge his duties as director of the Company.

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
Roger Chia Kim Piow	66	Executive Chairman & Managing Director	02-Dec-1980	N.A.
Chia Kim Chua	64	Executive Director	01-Mar-1982	19-Apr-2013
Jenny Wong Oi Moi	60	Non-Executive Director	04-May-1983	20-Apr-2012
Badri Narayanan Santhana Krishnan	35	Non-Executive Director	22-Sep-2008	25-Apr-2014
Lam Khin Khui	66	Independent Director	01-Feb-1993	19-Apr-2013
Keith Tay Ah Kee	70	Independent Director	01-Feb-1993	25-Apr-2014

Pursuant to Article 107 of the Articles of Association of the Company, every 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 AGM. The Managing Director of the Company is not subject to retirement pursuant to the Articles of Association of the Company.

The Directors who are retiring at the forthcoming AGM are as follows :

Under Article 107
Mr Chia Kim Chua
Mdm Jenny Wong Oi Moi

Under Section 153(6) of the Companies Act, Cap. 50*
Mr Keith Tay Ah Kee

* Such re-appointment will no longer be subject to shareholders' approval at the next AGM as Section 153(6) of the Companies Act, Cap. 50 will be repealed when the Companies (Amendment) Act 2014 comes into force. Mr. Keith Tay will then retire by rotation under the Company's Articles of Association.

The NC has recommended the re-election of Mr. Chia Kim Chua and Mdm. Jenny Wong Oi Moi, and the re-appointment of Mr. Keith Tay Ah Kee at the forthcoming AGM.

CODE OF CORPORATE GOVERNANCE

REMUNERATION COMMITTEE

Principles 7, 8 and 9

The Remuneration Committee ("RC") members are Mr. Lam Khin Khui as Chairman, Mr. Keith Tay Ah Kee and Mr. Badri Narayanan Santhana Krishnan. Both Mr. Lam and Mr. Tay are Independent Directors, while Mr. Badri Narayanan is a Non-Executive Director. The RC, when required, has access to expert advice, both within and outside the Company.

The terms of reference for RC are in line with the recommendations of the Code.

The role of the RC is to review and recommend to the Board a framework of remuneration for Directors and key management personnel (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.

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 Executive Directors have service contracts and do not receive director's fees. Their compensation consists of salary, normal bonuses, and performance bonuses. The performance bonuses form a significant portion of their compensation and are dependent on the profitability of the Group. 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 directors' fees. Directors' fees comprise a basic retainer fee and fees in respect of service on Board Committees. These fees are subject to shareholders' approval at the AGM.

The Directors' interests are set out in the Directors' Report.

The Directors' annual fees, subject to approval at the coming Annual General Meeting, and remuneration are set out below. The remuneration of Executive Directors relates to actual payments made during the year and accordingly includes bonus paid during the year in respect of previous year Group's performance.

CODE OF CORPORATE GOVERNANCE

Directors of Company	Fes $'000	Salary %	Bonus %	Other Benefits %	Total %	Total $'000
Executive Directors						
Roger Chia Kim Piow	-	19	80	1	100	3,839
Chia Kim Chua	-	28	71	1	100	1,132
Non-Executive Directors	-					
Badri Narayanan Santhana Krishnan	82	-	-	-	-	82
Jenny Wong Oi Moi	70	-	-	-	-	70
Independent Directors						
Keith Tay Ah Kee	118	-	-	-	-	118
Lam Khin Khui	100	-	-	-	-	100

The annual remuneration of the top 5 key management personnel is set out below (in percentage terms) and relates to actual payments made during the year and accordingly includes bonus paid during the year in respect of previous year's performance.

Key Management Personnel	Salary %	Bonus %	Other Benefits %	Total %
$750,000 to below $1,000,000				
Tham Sow Chee, Kellin	24	75	1	100
$250,000 to below $500,000				
*Choo Peng Leong, Phillip	72	10	19	100
Koh Chun Peng	69	26	5	100
below $250,000				
Ramu Baskar	59	26	15	100
James Robert Prakash	64	32	4	100

* resigned on 30 November 2014.

The total remuneration paid to the top five key management personnel (who are not Directors or the CEO) is S$2,271,000.

The remuneration of employee who is an immediate family member of a Director or the CEO of the Company, and whose remuneration exceeded $50,000 during the year is as follows:-

Name	Relationship with Director or the CEO
$50,000 to below $100,000	
Chia Kim Hung (Business Development Director of the Company in Saudi Arabia)	• Brother of Mr. Roger Chia Kim Plow (Chairman & Managing Director and substantial shareholder) and Mr. Chia Kim Chua (Executive Director) • Brother-in-law of Ms. Jenny Wong Oi Moi (Non-Executive Director and substantial shareholder)

CODE OF CORPORATE GOVERNANCE

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.

AUDIT COMMITTEE

Principle 12

The terms of reference for AC are in line with the recommendations of the Code.

The Audit Committee ("AC") comprises Mr. Keith Tay Ah Kee as Chairman, Mr. Lam Khin Khui, and Mr. Badri Narayanan Santhana Krishnan. The Chairman is a qualified accountant while Mr. Badri Narayanan is a qualified financial analyst. Both Mr. Tay and Mr. Lam are Independent Directors while Mr. Badri is a Non-Executive Director.

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 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 work done by internal and external auditors relating to adequacy and effectiveness of the Company's internal controls (financial, operational, information technology, and compliance) and risk management policies and systems established by management.

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 AC has taken measures to keep abreast of the changes to accounting standards and issues which have a direct impact on the financial statements.

The Group has considered the experience and suitability of the external 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 external auditors.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11

The Board undertakes the responsibility to ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets. The Board determines the extent of risk tolerance in accordance with the Group's strategic objectives and oversees Management in the design, implementation and monitoring of its risk management and internal control systems.

To assist the Board in carrying out its responsibility, Management has established a Management Risk Committee ("MRC"). The MRC is chaired by Mr. Chia Kim Chua, Executive Director and comprises the Chief Financial Officer ("CFO") and key management from business units and functional departments.

The MRC's objectives include the following:

- Oversee and advise the Board on the Group's risk exposure, risk appetite and risk strategy;
- Review and guide Management in formulating the Group's risk policies and in the execution of risk management processes and procedures; and
- Review the effectiveness of the Group's risk management systems.

Using a comfort matrix of key risks, the material financial, operational, information technology and compliance risks of the Group have been documented and assessed against strategies, processes, systems and controls in place. A process of continual monitoring and managing these key risks is in place.

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.

During the year, the AC discussed the findings of the external auditors and internal auditors arising from their respective reviews of the system of internal controls that address critical and significant financial, operational, information technology and compliance risks. No significant weaknesses were noted.

The Board has also received assurance from the Managing Director and CFO that as at 31 December 2014:

(a) the financial records of the Group have been properly maintained and the financial statements for the year ended 31 December 2014 give a true and fair view of the Group's operations and finances; and
(b) the systems of internal controls and risk management in place were adequate and effective as at 31 December 2014, to address financial, operational, information technology and compliance risks of which considered relevant and material to its operations.

Based on the internal control and risk management systems established and maintained by the Group, work performed by external and internal auditors and periodic reviews (by Management, the Board and various Board Committees), the Board with the concurrence of the AC, is of the opinion that the Group's internal control and risk management systems were adequate as at 31 December 2014 to address financial, operational, information technology, and compliance risks, which the Group considers relevant and material to its operations.

The Board notes that the systems of internal controls and risk management provide reasonable but not absolute assurance that the Group will not be affected by events that could be reasonably foreseen in the course of its business. The Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement, fraud or other irregularities.

INTERNAL AUDIT

Principles 13

The internal audit function is performed in-house supplemented by outsourcing of certain specialist functions. 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 and resources to perform its functions effectively and objectively. The internal auditor reports primarily to the AC. The AC approves the hiring, removal, evaluation and compensation of the internal auditor.

The AC is of the opinion that the internal audit functions of the Company and its subsidiaries are currently effective and adequate.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principles 14, 15 and 16

All shareholders are treated fairly and equally to protect and facilitate the exercise of their ownership rights. Any notice of a general meeting is issued at least 14 days before the meeting. The Company also allow shareholders to appoint proxies in his absence to attend and vote on his behalf at general meetings.

CODE OF CORPORATE GOVERNANCE

The Company does not practice selective disclosure. All price sensitive information is promptly disseminated via SGXNET to all shareholders and 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.

Other than communicating with Shareholders at AGMs, the Company has engaged an external Investor Relations firm, Waterbrooks Consultants Pte Ltd, to assist with its investor relations matters. Media, analysts, investors and shareholders may also contact the representatives of Waterbrooks Consultants Pte Ltd, the CFO and/or the Financial Controller on any investor relations matters; their contact details are set out in the Company's media released to the SGX-ST.

Subject to the approval of the Shareholders at the forthcoming AGM, the Company has proposed the payment of a final one-tier tax exempt dividend of Singapore 2.5 cents per ordinary share for the financial year ended 31 December 2014.

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 securities. It emphasizes that the law on insider trading is applicable at all times, notwithstanding the window periods for dealing in the securities. 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.

CODE OF CORPORATE GOVERNANCE

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 were no reportable interested person transactions for the financial year ended 31 December 2014.

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 2014.

DIRECTORS

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

Roger Chia Kim Piow (Chairman and Managing Director)
Chia Kim Chua
Keith Tay Ah Kee
Lam Khin Khui
Badri Narayanan Santhana Krishnan
Jenny 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				
Roger Chia Kim Piow	26,556,816	26,836,816	172,423,528	172,423,528
Chia Kim Chua	22,242,400	22,242,400	–	–
Jenny Wong Oi Moi	6,972,896	6,972,896	192,007,448	192,287,448
Lam Khin Khui	842,800	842,800	–	–
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 2015.

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

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Roger Chia Kim Piow and Jenny 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

There were no outstanding share options granted by the Company during the year ended 31 December 2014.

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:

- Reviewed the audit plans of the internal and external auditors of the Group and Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and Company's officers to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and Company before their submission to the board of directors;
- Reviewed effectiveness of the Group and Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed 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;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated, approves the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

DIRECTORS' REPORT

AUDIT COMMITTEE (CONT'D)

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. 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 auditor, 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.

AUDITOR

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

On behalf of the board of directors:

Roger Chia Kim Piow
Director

Chia Kim Chua
Director

Singapore
25 March 2015

STATEMENT BY DIRECTORS

We, Roger 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 income statement, 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 2014 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:

Roger Chia Kim Piow
Director

Chia Kim Chua
Director

Singapore
25 March 2015

INDEPENDENT AUDITOR'S REPORT
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 59 to 142 which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated income statement, 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 judgement, 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ROTARY ENGINEERING LIMITED

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 2014 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.

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
Chartered Accountants
Singapore
25 March 2015

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	NOTE	Group 2014 $'000	Group 2013 $'000
Revenue	5	**687,658**	595,026
Cost of sales		**(570,434)**	(526,472)
Gross profit		**117,224**	68,554
Other income		**2,733**	8,002
Selling and marketing costs		**(844)**	(1,191)
General and administrative costs		**(54,563)**	(50,302)
Other operating costs		**(14,377)**	(15,286)
Finance costs		**(1,068)**	(1,583)
Share of results of associates		**(209)**	(607)
Profit before tax	6	**48,896**	7,587
Income tax expense	7	**(7,921)**	(12,262)
Profit/(loss) for the year		**40,975**	(4,675)
Profit/(loss) for the year attributable to:			
Owners of the Company		**50,084**	20,735
Non-controlling interests		**(9,109)**	(25,410)
		40,975	(4,675)
Earnings per share attributable to owners of the Company (cents per share)			
Basic	8	**8.8**	3.7
Diluted	8	**8.8**	3.7

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group	
	2014	**2013**
	$'000	$'000
Profit/(loss) for the year	**40,975**	(4,675)
OTHER COMPREHENSIVE INCOME:		
Items that may be reclassified subsequently to profit or loss		
Net fair value gains on available-for-sale financial assets	**–**	95
Net fair value (loss)/gain on cash flow hedges	**(67)**	67
Amount transferred from fair value adjustment reserve to income statement on disposal of available-for-sale financial assets	**–**	(2,585)
Foreign currency translation movement	**(1,449)**	(834)
Other comprehensive income for the year, net of tax	**(1,516)**	(3,257)
Total comprehensive income for the year	**39,459**	(7,932)
Total comprehensive income attributable to:		
Owners of the Company	**53,757**	20,857
Non-controlling interests	**(14,298)**	(28,789)
	39,459	(7,932)

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

BALANCE SHEETS

AS AT
31 DECEMBER 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current assets					
Property, plant and equipment	9	**48,389**	53,730	**8,582**	8,880
Intangible assets	10	**1,199**	2,074	**851**	1,874
Investments					
Subsidiaries	11	**–**	–	**50,326**	56,759
Associates	12	**8,593**	3,529	**5,963**	5,963
Others	13	**26,484**	896	**895**	895
Deferred tax assets	14	**1,052**	498	**–**	–
Other receivables	15	**6,785**	8,538	**6,785**	8,538
Prepaid loan appraisal fees	20	**311**	533	**–**	–
Current assets					
Gross amount due from customers for contract work-in-progress	16	**13,248**	41,778	**8,390**	15
Inventories	17	**3,808**	3,287	**568**	704
Prepaid operating expenses		**249**	312	**9**	164
Downpayments made to suppliers		**5,703**	15,620	**2,958**	7,545
Trade and other receivables	15	**185,504**	144,914	**260,454**	137,003
Foreign currency contracts	18	**238**	234	**238**	234
Cash and short-term deposits	19	**157,057**	193,725	**57,205**	107,158
		365,807	399,870	**329,822**	252,823
Current liabilities					
Income tax payable		**15,829**	15,636	**5,113**	4,115
Loans and borrowings	20	**2,269**	50,202	**–**	10,133
Gross amount due to customers for contract work-in-progress	16	**137,577**	93,195	**70,400**	64,145
Trade and other payables	21	**143,526**	141,871	**161,840**	102,781
Downpayments from customers		**18,727**	58,487	**11,175**	39,682
Foreign currency contracts	18	**1,398**	545	**1,398**	545
		319,326	359,936	**249,926**	221,401
Net current assets		**46,481**	39,934	**79,896**	31,422
Non-current liabilities					
Deferred tax liabilities	14	**2,150**	1,795	**1,314**	1,155
Loans and borrowings	20	**8,772**	9,563	**–**	–
		10,922	11,358	**1,314**	1,155
Net assets		**128,372**	98,374	**151,984**	113,176

BALANCE SHEETS

AS AT
31 DECEMBER 2014

	Note	Group		Company	
		2014	**2013**	**2014**	**2013**
		$'000	$'000	$'000	$'000
Equity attributable to owners of the Company					
Share capital	22(a)	**89,365**	89,365	**89,365**	89,365
Treasury shares	22(b)	**(161)**	(161)	**(161)**	(161)
Retained earnings		**165,738**	124,167	**62,780**	23,905
Other reserves	23	**1,467**	(2,193)	**–**	67
		256,409	211,178	**151,984**	113,176
Non-controlling interests		**(128,037)**	(112,804)	**–**	–
Total equity		**128,372**	98,374	**151,984**	113,176

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 2014

Group 2014	Share capital	Treasury shares	Retained earnings	Capital reserve	Statutory reserve	Foreign currency translation reserve	Hedging reserve	Total	Non-controlling interests	Total equity
	Attributable to owners of the Company									
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2014	**89,365**	**(161)**	**124,167**	**560**	**300**	**(3,120)**	**67**	**211,178**	**(112,804)**	**98,374**
Profit for the year	**–**	**–**	**50,084**	**–**	**–**	**–**	**–**	**50,084**	**(9,109)**	**40,975**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**3,740**	**(67)**	**3,673**	**(5,189)**	**(1,516)**
Total comprehensive income for the year	**–**	**–**	**50,084**	**–**	**–**	**3,740**	**(67)**	**53,757**	**(14,298)**	**39,459**
<u>Contributions by and distributions to owners</u>										
Dividends on ordinary shares (Note 30)	**–**	**–**	**(8,513)**	**–**	**–**	**–**	**–**	**(8,513)**	**–**	**(8,513)**
Dividends paid by subsidiaries to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(920)**	**(920)**
Total contributions by and distributions to owners	**–**	**–**	**(8,513)**	**–**	**–**	**–**	**–**	**(8,513)**	**(920)**	**(9,433)**
<u>Changes in ownership interests in subsidiaries</u>										
Return of capital to non-controlling interests	**–**	**–**	**–**	**(13)**	**–**	**–**	**–**	**(13)**	**(15)**	**(28)**
At 31 December 2014	**89,365**	**(161)**	**165,738**	**547**	**300**	**620**	**–**	**256,409**	**(128,037)**	**128,372**

STATEMENTS OF CHANGES IN EQUITY

Group 2013	Share capital	Treasury shares	Retained earnings	Capital reserve	Statutory reserve	Foreign currency translation reserve	Fair value adjustment reserve	Hedging reserve	Total	Non-controlling interests	Total equity
	Attributable to owners of the Company										
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
At 1 January 2013	89,365	(161)	106,270	86	300	(5,665)	2,490	–	192,685	(82,173)	110,512
Profit for the year	–	–	20,735	–	–	–	–	–	20,735	(25,410)	(4,675)
Other comprehensive income for the year	–	–	–	–	–	2,545	(2,490)	67	122	(3,379)	(3,257)
Total comprehensive income for the year	–	–	20,735	–	–	2,545	(2,490)	67	20,857	(28,789)	(7,932)
<u>Contributions by and distributions to owners</u>											
Dividends on ordinary shares (Note 30)	–	–	(2,838)	–	–	–	–	–	(2,838)	–	(2,838)
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	–	–	(600)	(600)
Total contributions by and distributions to owners	–	–	(2,838)	–	–	–	–	–	(2,838)	(600)	(3,438)
<u>Changes in ownership interests in subsidiaries</u>											
Acquisition of non-controlling interests	–	–	–	474	–	–	–	–	474	(1,242)	(768)
At 31 December 2013	89,365	(161)	124,167	560	300	(3,120)	–	67	211,178	(112,804)	98,374

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Company	**Share capital**	**Treasury shares**	**Retained earnings**	**Hedging reserve**	**Total equity**
2014	$'000	$'000	$'000	$'000	$'000
At 1 January 2014	**89,365**	**(161)**	**23,905**	**67**	**113,176**
Profit for the year	**–**	**–**	**47,388**	**–**	**47,388**
Other comprehensive income for the year	**–**	**–**	**–**	**(67)**	**(67)**
Total comprehensive income for the year	**–**	**–**	**47,388**	**(67)**	**47,321**
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 30)	**–**	**–**	**(8,513)**	**–**	**(8,513)**
Total transactions with owners in their capacity as owners	**–**	**–**	**(8,513)**	**–**	**(8,513)**
At 31 December 2014	**89,365**	**(161)**	**62,780**	**–**	**151,984**
2013					
At 1 January 2013	89,365	(161)	28,071	–	117,275
Loss for the year	–	–	(1,328)	–	(1,328)
Other comprehensive income for the year	–	–	–	67	67
Total comprehensive income for the year	–	–	(1,328)	67	(1,261)
Contributions by and distributions to owners					
Dividends on ordinary shares (Note 30)	–	–	(2,838)	–	(2,838)
Total transactions with owners in their capacity as owners	–	–	(2,838)	–	(2,838)
At 31 December 2013	89,365	(161)	23,905	67	113,176

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 2014

	Note	2014 $'000	2013 $'000
Operating activities			
Profit before tax		**48,896**	7,587
Adjustments for:			
Allowance for doubtful debts	15	**552**	47
Amortisation of intangible assets	10	**1,415**	1,296
Amortisation of prepaid loan appraisal fees		**225**	220
Bad debts written off	15	**42**	179
Depreciation of property, plant and equipment	9	**11,398**	13,516
Dividends from quoted investments		**–**	(165)
Fair value loss on foreign currency contracts, net		**782**	326
Gain on disposal of associates		**–**	(65)
Gain on disposal of available-for-sale financial assets		**–**	(3,025)
Loss/(gain) on disposal of property, plant and equipment		**521**	(363)
Interest expense		**843**	1,363
Interest income		**(605)**	(758)
Inventories written down	17	**49**	248
Share of results of associates		**209**	607
Operating cash flows before changes in working capital		**64,327**	21,013
Changes in working capital			
Increase in prepaid operating expenses, downpayments made to suppliers and receivables		**(32,749)**	(75,168)
(Increase)/decrease in inventories		**(549)**	1,806
Increase in gross amount due to customers for contract work-in-progress, net		**71,788**	108,092
(Decrease)/increase in payables and downpayments from customers		**(52,053)**	13,210
Cash flows from operations		**50,764**	68,953
Interest received		**621**	750
Interest paid		**(843)**	(1,363)
Income tax paid		**(7,859)**	(9,049)
Net cash flows from operating activities		**42,683**	59,291

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Investing activities			
Acquisition of non-controlling interests		**–**	(768)
Acquisition of shares of associates		**–**	(3,156)
Additions to intangible assets	10	**(551)**	(623)
Return of capital to non-controlling interests		**(28)**	–
Dividends from associates		**–**	756
Dividends from quoted investments		**–**	165
Proceeds from disposal of associates	12	**3,200**	4,588
Proceeds from disposal of available-for-sale financial assets		**–**	3,536
Proceeds from disposal of property, plant and equipment		**764**	493
Net cash inflow from disposal of subsidiary	11	**3,883**	–
Purchase of investment securities	13	**(23,185)**	(167)
Purchase of property, plant and equipment	9	**(6,405)**	(6,145)
Net cash flows used in investing activities		**(22,322)**	(1,321)
Financing activities			
Decrease/(increase) in pledged fixed deposits		**39,672**	(37,904)
Dividends paid:			
– by the Company	30	**(8,513)**	(2,838)
– by subsidiaries to non-controlling interests		**(920)**	(600)
Repayment of bank loans and trade facilities, net		**(50,769)**	(25,410)
Repayment of finance lease obligations		**(112)**	(39)
Net cash flows used in financing activities		**(20,642)**	(66,791)
Net decrease in cash and cash equivalents		**(281)**	(8,821)
Effect of exchange rate changes on cash and cash equivalents		**1,611**	123
Cash and cash equivalents at 1 January		**155,727**	164,425
Cash and cash equivalents at 31 December	19	**157,057**	155,727

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

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.

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.

Related companies relate to the Rotary Engineering Limited group of companies.

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) except when otherwise 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 applicable and effective for annual periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial statements.

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 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(e) Amendments to FRS 16 *Property, Plant and Equipment*	1 July 2014
(f) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
(g) Amendments to FRS 38 Intangible Assets	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 40 Investment Property	1 July 2014
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendment to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to FRS 111 *Accounting for Acquisition of Interests in Joint Operations*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

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

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

Except for FRS 115, the directors expect that the adoption of the standards and interpretations above, where applicable, 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 the adoption of FRS 115 is described as follows:

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently evaluating the impact of FRS 115 on the Group's financial statements and is planning to adopt the new standard on the required effective date.

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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.

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.

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

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

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation (cont'd)*

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 interests;
- 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.

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

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

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) *Business combinations and goodwill (cont'd)*

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 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.

The cash-generating units to which goodwill have 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.

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.

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 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.

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

2.6 *Foreign currency (cont'd)*

(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 measured.

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.

(b) *Consolidated financial statements*

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.

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations 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 foreign operation.

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

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

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.

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 de-recognised 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 de-recognised.

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

2.8 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. 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.

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.

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.

Software

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

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.

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

2.9 *Impairment of non-financial assets (cont'd)*

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal 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.

Impairment losses of continuing operations are recognised in profit or loss, 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.

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 investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

2.11 *Joint ventures and associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

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

2.11 *Joint ventures and associates (cont'd)*

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

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

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 associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

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

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

2.12 *Financial instruments*

(a) *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:

(i) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading. 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. Derivatives, including separated embedded derivatives are also classified as held for trading.

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 measured at fair value with changes in fair value recognised in 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.

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

2.12 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(ii) ***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 de-recognised or impaired, and through the amortisation process.

(iii) ***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.

The Group has not designated any held-to-maturity investments.

(iv) ***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.

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

2.12 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement (cont'd)

(iv) ***Available-for-sale financial assets (cont'd)***

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

De-recognition

A financial asset is de-recognised 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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised 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.

(b) *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:

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

2.12 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement (cont'd)

(i) ***Financial liabilities at fair value through profit or loss***

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. 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.

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.

(ii) ***Financial liabilities at amortised cost***

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest 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.

(c) *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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

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 asset 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.

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, and short-term deposits.

2.15 *Construction contracts*

The Group principally operates fixed price 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 the measurement 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 can be 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.

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

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 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.18 *Government grants*

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants are recognised in profit or loss on a systematic basis over the periods in which the Company recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented under "Other income".

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.

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

2.19 *Employee benefits (cont'd)*

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled before twelve months after the end of reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.20 *Leases*

(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.

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 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 judgement 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.

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, the 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.

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

2.22 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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.

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

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 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 *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.

2.25 *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)

2.26 *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 JUDGEMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, 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. 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 *Judgements made in applying accounting policies*

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

(a) *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, judgement 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.

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period 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.

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

3.2 *Key sources of estimation uncertainty (cont'd)*

(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. Factors such as the probability of insolvency or significant delays in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there has been observable data indicating that there has been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

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 15 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 measurement of work performed. In making these estimates, management will place reliance on measurements performed by professionals and 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.

If the revenue on major uncompleted contracts as at balance sheet date had been 10% lower/higher than management's estimate, the Group's revenue would have been lower/higher by 7% (2013: 5%).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS 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 judgement 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 together with future tax planning strategies.

The carrying amounts of the Group's deferred tax assets and deferred tax liabilities as at 31 December 2014 is disclosed in Note 14 to the financial statements.

4. GROUP COMPANIES

The subsidiaries and associates for the year ended 31 December 2014 and 2013 are:

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2014	2013
Subsidiaries 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

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2014	2013
Subsidiaries held by the Company (cont'd):			
Supermec Private Limited [(1)] (Singapore)	Insurance broker and electrical and engineering material traders	**60.0**	60.0
ShopGlobal Pte. Ltd. [(1)] (Singapore)	Investment holding	**100.0**	100.0
P.T. Rotary MECOM [(4)] (Indonesia)	Dormant	**70.0**	70.0
Rotary Electrical Company (Private) Limited [(4)] (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)] (Singapore)	Trading of medical products and equipment	**99.7**	99.7
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 [(4)] (Singapore)	Dormant	**100.0**	100.0
P.T. Rotary Engineering Indonesia [(2)(a)] (Indonesia)	Steel fabrication and construction	**100.0**	100.0
Rotary MEC Engineering (India) Private Limited [(2)(b)] (India)	Dormant	**100.0**	100.0

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2014	2013
Subsidiaries held by the Company (cont'd):			
Thai Rotary Engineering Public Company Limited (3)(5) (Thailand)	Engineering design and construction works	**95.2**	95.2
Calvert Limited (3) (Thailand)	Investment holding	**90.6**	90.6
Rotary IMC Pte Ltd (1) (Singapore)	Provision of integrated maintenance services	**100.0**	100.0
Rotary Engineering (Shanghai) Co., Ltd. (2)(c)(6) (People's Republic of China)	Executing turnkey and EPC projects	**–**	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. (4) (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. (1) (Singapore)	Ship leasing and cargo vessel operator	**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

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2014	2013
Subsidiaries held by the Company (cont'd):			
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
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)	Dormant	**100.0**	100.0
REL-TREL Joint Venture[3][7] (Thailand)	Engineering design and construction works	**–**	96.4
Rotary Engineering Fujairah FZE [3] (United Arab Emirates)	Engineering, procurement and construction services for storage tanks of oil & gas, petroleum and petrochemical plants	**100.0**	100.0
Oro Storage Asset Management Pte. Ltd. (formerly known as Roar Asset Management Pte. Ltd.) [1] (Singapore)	Investment holding	**100.0**	100.0
Rotary-Thai Construction Pte. Ltd. [1] (Singapore)	Contractor in engineering and scaffolding works	**100.0**	100.0
Held by subsidiaries:			
P.T. Rotary Engineering South East Asia [2][e] (Indonesia)	Engineering design, procurement and construction services for plants and associated facilities	**95.0**	95.0

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2014	2013
Held by subsidiaries (cont'd):			
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	**60.0**	60.0
Supermec (M) Sdn. Bhd. [(2)(g)] (Malaysia)	Trading in electrical and engineering materials	**60.0**	60.0
Sinmec Engineering Services (India) Private Limited [(2)(h)] (India)	Engineering design, execution and management of EPC (engineering design, procurement and construction), and recruitment, training and deployment of engineers to projects	**100.0**	100.0
Rotary Engineering Myanmar Company Limited [(4)] (Myanmar)	Provision of engineering, procurement and construction services for petrochemical terminals in Myanmar	**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) Ecovis Idris & Sudiharto, Indonesia
- (f) Auditing and Informatic Services Company Limited, Vietnam
- (g) WL Chong & Associates, Malaysia
- (h) Walker Chandiok & Co. LLP, Chartered Accountants, India

(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) During the year, the company disposed its entire interest in Rotary Engineering (Shanghai) Co., Ltd. for a consideration of RMB 22,166,000 (equivalent to $4,322,000).

(7) 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%. During the year, the objective was met and thus the joint venture is in the process of being liquidated.

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2014	2013
Associates 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	**37.5**	37.5
Eastlog Holding Pte. Ltd. [(2)(b)] (Singapore)	Investment holding	**22.2**	22.2
Jinzhou Everthriving Logistics Co., Ltd. [(2)(c)] (People's Republic of China)	Transport and sale of liquefied natural gas	**45.0**	45.0
Itro Pte. Ltd. [(3)] (Singapore)	Build, operate and own an industrial waste treatment plant that generates steam energy	**–**	40.0
Associates held by subsidiaries:			
iPromar (Pte.) Ltd. [(2)(d)] (Singapore)	Process plant engineering services	**25.0**	25.0
P.T. Marino Logistics[(2)(e)] (Indonesia)	Ship owning and provision of marine transportation services	**49.0**	–

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by other firms
- (a) Deloitte & Touche, Chartered Accountants, Malaysia
- (b) GohThienChee & Co, Singapore
- (c) Liaoning Huawei Accountant's Company Ltd, China
- (d) Akber Ali & Co., Singapore
- (e) KAP Charles & Nurlena Registered Public Accountants, Batam

(3) During the year, the Company disposed its entire interest in Itro Pte. Ltd. for a consideration of $3,200,000.

5. REVENUE

	Group 2014 $'000	Group 2013 $'000
Services	**675,002**	581,390
Sales of goods	**12,656**	13,636
	687,658	595,026

6. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Group 2014 $'000	Group 2013 $'000
Other income		
Gain on disposal of property, plant and equipment	**–**	363
Gain on disposal of associates	**–**	65
Gain on disposal of available-for-sale financial assets	**–**	3,025
Dividends from quoted investments	**–**	165
Interest income	**605**	758
Sales of scrap	**1,198**	2,038
Government grants	**320**	165
Audit fees paid to:		
– Auditor of the Company	**(232)**	(273)
– Other auditors	**(190)**	(194)
Non-audit fees paid to:		
– Auditor of the Company	**(10)**	(12)
– Other auditors	**(9)**	(58)
Depreciation of property, plant and equipment (Note 9)	**(11,398)**	(13,516)
Amortisation of intangible assets (Note 10)	**(1,415)**	(1,296)
Allowance for doubtful debts (Note 15)	**(552)**	(47)
Amortisation of prepaid loan appraisal fees	**(225)**	(220)
Bad debts written off (Note 15)	**(42)**	(179)

6. PROFIT BEFORE TAX (CONT'D)

	Group 2014 $'000	Group 2013 $'000
Employee benefits expense (including executive directors):		
Salaries, bonuses and other benefits	**(105,624)**	(88,906)
Central Provident Fund contributions	**(4,151)**	(3,912)
Other short-term benefits	**(28,852)**	(21,291)
	(138,627)	(114,109)
Fair value loss on foreign currency contracts, net	**(782)**	(326)
Finance charges under finance lease	**(8)**	(4)
Interest expense on loans and borrowings (excluding finance charges)	**(835)**	(1,359)
Inventories written down (Note 17)	**(49)**	(248)
Gain/(loss) on foreign exchange	**3,167**	(513)
Loss on disposal of property, plant and equipment	**(521)**	–

7. INCOME TAX EXPENSE

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2014 and 2013 are:

	Group 2014 $'000	Group 2013 $'000
Consolidated income statement:		
Current income tax		
– Current year		
Singapore	**(6,759)**	(9,638)
Foreign	**(2,429)**	(2,906)
	(9,188)	(12,544)
– Over/(under) provision in respect of previous years	**1,068**	(327)
	(8,120)	(12,871)
Deferred income tax		
– Origination and reversal of temporary differences	**199**	609
Income tax expense recognised in profit or loss	**(7,921)**	(12,262)

7. INCOME TAX EXPENSE

(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 2014 and 2013 is as follows:

	Group	
	2014	**2013**
	$'000	$'000
Profit before tax	**48,896**	7,587
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(3,466)**	2,479
Adjustments:		
Non-deductible expenses	**(5,004)**	(3,893)
Income not subject to taxation	**264**	74
Effect of Development & Expansion Incentive on qualifying transactions	**247**	291
Effect of partial tax exemption and tax relief	**439**	726
Benefits from previously unrecognised deferred tax assets	**–**	2
Deferred tax assets not recognised	**(1,243)**	(11,345)
Over/(under) provision in respect of previous years	**1,068**	(327)
Share of results of associates	**(226)**	(269)
Income tax expense recognised in profit or loss	**(7,921)**	(12,262)

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

7. INCOME TAX EXPENSE (CONT'D)

(b) *Relationship between tax expense and accounting profit (cont'd)*

Singapore

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 of 17%. The other entities in Singapore are taxed at a corporate tax rate of 17% (2013: 17%).

Kingdom of Saudi Arabia

The tax rate applicable in Saudi Arabia is 20% (2013: 20%).

Fujairah

The Company has a subsidiary which is a registered establishment with the Fujairah Free Zone Authority and is entitled to certain incentives including 100% corporate tax exemption.

8. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing earnings for the year, net of tax, attributable to owners of the Company amounting to $50,084,000 (2013: $20,735,000) by the weighted average number of ordinary shares outstanding during the financial year of 567,518,000 (2013: 567,518,000).

The Company did not have any potential ordinary shares during the year and in the previous financial year.

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

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Leasehold land	Leasehold buildings	Office renovations	Office equipment, furniture and fittings	Motor vehicles	Plant and machinery	Other assets	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:										
At 1 January 2013	886	2,149	46,188	3,054	14,334	8,913	58,431	12,702	546	147,203
Additions	–	–	–	20	825	910	1,820	1,937	633	6,145
Disposals	–	–	(225)	(28)	(253)	(292)	(1,160)	(757)	(24)	(2,739)
Reclassification	–	–	–	–	76	–	373	151	(600)	–
Currency realignment	(31)	(119)	(370)	37	(48)	(88)	(423)	411	(22)	(653)
At 31 December 2013 and 1 January 2014	855	2,030	45,593	3,083	14,934	9,443	59,041	14,444	533	149,956
Additions	–	–	–	154	838	1,007	2,672	778	956	6,405
Disposals	–	–	–	(436)	(389)	(673)	(3,337)	(289)	(49)	(5,173)
Reclassification	–	–	–	–	4	–	1,095	89	(1,188)	–
Currency realignment	35	50	686	21	122	118	1,819	416	22	3,289
At 31 December 2014	**890**	**2,080**	**46,279**	**2,822**	**15,509**	**9,895**	**61,290**	**15,438**	**274**	**154,477**
Accumulated depreciation:										
At 1 January 2013	–	325	16,141	1,891	12,677	6,546	38,020	10,552	–	86,152
Charge for the year	–	–	1,711	263	1,131	1,124	8,169	1,118	–	13,516
Disposals	–	–	(225)	(28)	(249)	(284)	(1,067)	(754)	–	(2,607)
Currency realignment	–	(59)	(409)	27	(54)	(109)	(586)	355	–	(835)
At 31 December 2013 and 1 January 2014	–	266	17,218	2,153	13,505	7,277	44,536	11,271	–	96,226
Charge for the year	–	–	1,503	240	1,129	1,053	6,514	959	–	11,398
Disposals	–	–	–	(378)	(356)	(484)	(2,395)	(275)	–	(3,888)
Currency realignment	–	8	177	19	114	98	1,563	373	–	2,352
At 31 December 2014	**–**	**274**	**18,898**	**2,034**	**14,392**	**7,944**	**50,218**	**12,328**	**–**	**106,088**
Net carrying amount:										
At 31 December 2014	**890**	**1,806**	**27,381**	**788**	**1,117**	**1,951**	**11,072**	**3,110**	**274**	**48,389**
At 31 December 2013	855	1,764	28,375	930	1,429	2,166	14,505	3,173	533	53,730

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

Company	Leasehold buildings	Office renovations	Office equipment, furniture and fittings	Motor vehicles	Plant and machinery	Other assets	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:							
At 1 January 2013	10,304	1,585	9,737	369	2,674	2,277	26,946
Additions	–	3	281	302	1,149	–	1,735
Disposals	–	–	(64)	(34)	(26)	–	(124)
At 31 December 2013 and 1 January 2014	10,304	1,588	9,954	637	3,797	2,277	28,557
Additions	–	154	377	489	–	19	1,039
Disposals	–	–	(114)	(39)	–	–	(153)
At 31 December 2014	**10,304**	**1,742**	**10,217**	**1,087**	**3,797**	**2,296**	**29,443**
Accumulated depreciation:							
At 1 January 2013	3,916	801	8,892	363	1,855	2,253	18,080
Charge for the year	206	139	555	32	763	22	1,717
Disposals	–	–	(64)	(34)	(22)	–	(120)
At 31 December 2013 and 1 January 2014	4,122	940	9,383	361	2,596	2,275	19,677
Charge for the year	206	160	446	135	381	4	1,332
Disposals	–	–	(112)	(36)	–	–	(148)
At 31 December 2014	**4,328**	**1,100**	**9,717**	**460**	**2,977**	**2,279**	**20,861**
Net carrying amount:							
At 31 December 2014	**5,976**	**642**	**500**	**627**	**820**	**17**	**8,582**
At 31 December 2013	6,182	648	571	276	1,201	2	8,880

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

(a) There was no acquisition by means of finance lease during the year. The cash outflow on acquisition of property, plant and equipment amounted to $6,405,000 (2013: $6,145,000).

The carrying amount of plant and equipment held under finance leases at the end of the reporting period is $6,000 (2013: $121,000).

(b) In addition to assets held under finance leases, leasehold land, leasehold building and plant and equipment of a subsidiary with a carrying amount of $11,202,000 (2013: $12,825,000) are mortgaged to secure the subsidiary's bank loans (Note 20).

(c) The following 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 (25 years from 6 August 2011).

(iii) A building on a leasehold land area of 27,027 sqm in Jurong Island for industrial use (30 years from 1 April 1999).

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 Rayong, Thailand for industrial use.

(iii) A leasehold land with an area of 64,943 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 (55 years from 2009).

(v) An office building on a land area of 739 sqm in Bangalore, India.

10. INTANGIBLE ASSETS

	Group Software $'000	Company Software $'000
Cost:		
At 1 January 2013	7,333	5,876
Additions	623	551
Currency realignment	(27)	–
At 31 December 2013 and 1 January 2014	**7,929**	**6,427**
Additions	**551**	**144**
Disposals	**(142)**	**–**
Currency realignment	**47**	**–**
At 31 December 2014	**8,385**	**6,571**
Accumulated amortisation:		
At 1 January 2013	4,579	3,400
Amortisation for the year	1,296	1,153
Currency realignment	(20)	–
At 31 December 2013 and 1 January 2014	**5,855**	**4,553**
Amortisation for the year	**1,415**	**1,167**
Disposals	**(130)**	**–**
Currency realignment	**46**	**–**
At 31 December 2014	**7,186**	**5,720**
Net carrying amount:		
At 31 December 2014	**1,199**	**851**
At 31 December 2013	2,074	1,874

The amortisation of software is included in the 'Other operating costs' line item in consolidated income statement.

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	**2013**
	$'000	$'000
Unquoted equity shares, at cost	**68,455**	77,101
Less: Impairment losses	**(18,129)**	(20,342)
	50,326	56,759

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

Impairment testing of investments in subsidiaries

During the year, an impairment loss of $1,586,700 (2013: $3,800,000) was recognised to write down 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.

Disposal of subsidiary

During the year, the Company disposed its entire interest in Rotary Engineering (Shanghai) Co. Ltd. for a cash consideration of RMB 22,166,000 (equivalent to $4,322,000).

The value of assets and liabilities of Rotary Engineering (Shanghai) Co. Ltd. recorded in the consolidated financial statements as at the date of disposal, and the cash flow effect of the disposal were:

	2014
	$'000
Trade and other receivables	**4,459**
Cash at bank	**439**
	4,898
Trade and other payables	**(576)**
Carrying value of net assets	**4,322**
Cash consideration	**4,322**
Cash and cash equivalents of the subsidiary	**(439)**
Net cash inflow on disposal of subsidiary	**3,883**

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

Interest in subsidiary with material non-controlling interests (NCI)

The following subsidiary has NCI that is material to the Group:

Petrol Steel Company Limited

	2014 $'000	2013 $'000
Principal place of business	**Saudi Arabia**	Saudi Arabia
Proportion of ownership interest held by NCI	**49%**	49%
Loss allocated to NCI during the reporting period	**(10,956)**	(28,853)
Accumulated NCI at the end of the reporting period	**(134,131)**	(117,907)

Significant restrictions:

There are no other significant restrictions on the Group's ability to use or access assets and settle liabilities of the subsidiary with material non-controlling interests except as disclosed in Note 23(b).

Summarised information about subsidiary with material NCI

Summarised financial information before intercompany eliminations of subsidiary with material non-controlling interests are as follows:

	2014 $'000	2013 $'000
Current:		
Assets	**41,340**	62,131
Liabilities	**322,366**	315,015
Net current liabilities	**(281,026)**	(252,884)
Non-current:		
Assets	**16,061**	21,747
Liabilities	**8,772**	9,490
Net non-current assets	**7,289**	12,257
Net liabilities	**(273,737)**	(240,627)
Revenue	**19,807**	61,899
Loss before income tax	**(22,360)**	(58,884)
Net loss after tax	**(22,360)**	(58,884)
Other comprehensive income	**(10,752)**	(6,796)
Total comprehensive income	**(33,112)**	(65,680)
Net cash flows used in operations	**(30,653)**	(3,948)
Net cash flows from/(used in) financing activities	**32,190**	(8,679)

12. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	**24,343**	28,343	**24,218**	28,218
Impairment losses	**(14,516)**	(14,516)	**(18,255)**	(22,255)
	9,827	13,827	**5,963**	5,963
Share of post-acquisition reserves	**(1,070)**	(9,927)	**–**	–
Currency realignment	**(164)**	(371)	**–**	–
Carrying value of investments	**8,593**	3,529	**5,963**	5,963

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

As at 31 December 2014, total impairment losses of $14,516,000 and $18,255,000 had been recognised for the Group and the Company respectively, to write down the carrying value of an associate as the associate has been persistently making losses. There have been no further impairment charges in the current year.

During the year, the Group disposed its interest in associates for an aggregate consideration of $3,200,000 (2013: $4,588,000) and recognised a gain of $Nil (2013: $65,000) in profit or loss.

Aggregate information about the Group's investments in associates, not adjusted for the proportion of ownership interest held by the Group, that are not individually material is as follows:

	Group	
	2014	**2013**
	$'000	$'000
Assets and liabilities		
Current assets	**63,635**	75,118
Non-current assets	**140,170**	124,945
Total assets	**203,805**	200,063
Current liabilities	**140,984**	127,479
Non-current liabilities	**17,804**	26,980
Total liabilities	**158,788**	154,459
Results:		
Revenue	**64,553**	86,780
Profit/(loss) for the year	**415**	(1,953)

13. OTHER INVESTMENTS

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Other investments, non-current				
Available-for-sale financial assets				
Quoted shares, at fair value	**29**	29	**28**	28
Unquoted equity investments	**2,785**	1,264	**1,264**	1,264
Less: Impairment losses	**(397)**	(397)	**(397)**	(397)
	2,417	896	**895**	895
Loans and receivables				
Investment loan	**24,067**	–	**–**	–
	26,484	896	**895**	895

During the year, a subsidiary of the Company invested USD 19,350,000 (equivalent to $25,587,000) in an independent oil storage terminal in Indonesia. This comprises of a 10% equity stake for USD 1,150,000 (equivalent to $1,520,000) and loans totaling USD 18,200,000 (equivalent to $24,067,000) to support operations.

These loans amount to USD 16,500,000 (equivalent to $21,820,000) accruing interest at 12% per annum, and USD 1,700,000 (equivalent to $2,247,000) accruing interest at the deposit rate of PT Bank Rakyat Indonesia. They are repayable by year 2024 and year 2017 respectively.

14. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	**(2,632)**	(2,298)	**(1,484)**	(1,314)
Deferred tax assets				
Unutilised tax losses	**12**	–	**–**	–
Provisions	**1,522**	1,001	**170**	159
	1,534	1,001	**170**	159
Disclosures in balance sheets:				
Deferred tax assets	**1,052**	498	**–**	–
Deferred tax liabilities	**(2,150)**	(1,795)	**(1,314)**	(1,155)
	(1,098)	(1,297)	**(1,314)**	(1,155)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $309,407,000 (2013: $303,190,000) 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 (2013: $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 $17,288,000 (2013: $26,659,000). The deferred tax liability is estimated to be $1,736,000 (2013: $3,385,000).

Tax consequences of proposed dividends

There are no income tax consequences (2013: Nil) attached to the proposed dividends by the Company to its shareholders (Note 30).

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables				
– External parties	**172,548**	131,202	**90,450**	56,195
– Subsidiaries	**–**	–	**1,976**	2,549
– Associates	**380**	4,891	**4**	4,459
Other receivables				
– Subsidiaries (non-trade)	**–**	–	**165,492**	71,083
– Associates (non-trade)	**45**	171	**37**	171
– External parties	**4,327**	1,056	**–**	17
Loan and advances	**3,423**	3,022	**81**	131
Sundry deposits	**2,657**	2,726	**1,645**	1,701
Recoverables	**1,268**	969	**769**	697
Income tax recoverables	**856**	877	**–**	–
	185,504	144,914	**260,454**	137,003
Other receivables (non-current):				
Other receivables				
– Associates (non-trade)	**10,367**	17,571	**10,367**	17,571
Less: Allowance for impairment	**(3,582)**	(9,033)	**(3,582)**	(9,033)
	6,785	8,538	**6,785**	8,538
Total trade and other receivables (current and non-current)	**192,289**	153,452	**267,239**	145,541
Add: Cash and short-term deposits (Note 19)	**157,057**	193,725	**57,205**	107,158
Total loans and receivables	**349,346**	347,177	**324,444**	252,699

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.

15. TRADE AND OTHER RECEIVABLES (CONT'D)

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Thai Baht	**4,461**	1,072	**–**	–
United States Dollar	**96,060**	77,479	**43,880**	40,641

Related party balances

Amounts due from subsidiaries and associates 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 loans at carrying amount of $100,593,000 (2013: $26,654,000) and $2,776,000 (2013: $2,776,000) which bear interest at a rate of 5.5% and 6% per annum respectively.

Non-current amounts due from associates 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. The loan amounts of $5,951,000 and $834,000 (2013: $5,700,000 and $799,000) bear interest at a rate of 8% and 10% (2013: 8% and 10%) per annum, respectively.

Receivables that are past due but not impaired

The Group and Company has trade receivables amounting to $17,900,000 (2013: $15,590,000) and $8,982,000 (2013: $4,113,000) that are past due at the end of the reporting period but not impaired respectively. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade receivables past due but not impaired:				
Less than 30 days	**7,100**	7,382	2,215	1,652
30 – 60 days	**1,891**	2,530	40	1,279
61 – 90 days	**725**	1,060	–	302
91 – 120 days	**768**	1,295	589	204
More than 120 days	**7,416**	3,323	6,138	676
	17,900	15,590	8,982	4,113

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are impaired

The Group's and the Company'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 is as follows:

	Group Individually impaired		Company Individually impaired	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	**1,028**	463	**–**	–
Less: Allowance for impairment	**(1,028)**	(463)	**–**	–
	–	–	**–**	–
Movement in allowance accounts:				
At 1 January	**463**	406	**–**	–
Charge for the year	**552**	47	**–**	–
Currency realignment	**13**	10	**–**	–
	1,028	463	**–**	–

During the year, $42,000 (2013: $179,000) of trade receivables were written off directly to profit or loss.

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	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**1,973,851**	1,521,365	**1,180,910**	881,086
Less: Progress billings	**(2,098,180)**	(1,572,782)	**(1,242,920)**	(945,216)
	(124,329)	(51,417)	**(62,010)**	(64,130)
Presented as:				
Gross amount due from customers for contract work-in-progress	**13,248**	41,778	**8,390**	15
Gross amount due to customers for contract work-in-progress	**(137,577)**	(93,195)	**(70,400)**	(64,145)
	(124,329)	(51,417)	**(62,010)**	(64,130)
Retention sums on construction contract included in trade receivables	**78,010**	52,457	**39,822**	21,813

17. INVENTORIES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Balance sheet:				
Raw materials, supplies and consumables	**3,516**	3,019	**568**	704
Trading goods	**292**	268	**–**	–
Total inventories at lower of cost and net realisable value	**3,808**	3,287	**568**	704

17. INVENTORIES (CONT'D)

	Group 2014 $'000	Group 2013 $'000
Income statement:		
Inventories recognised as an expense in "Cost of sales"	**5,093**	6,722
Inventories recognised as an expense in "Other operating costs" is inclusive of the following charge:		
– Inventories written down	**49**	248

18. FOREIGN CURRENCY CONTRACTS

	Group and Company					
	2014			2013		
	Contract/ Notional Amount $'000	Assets $'000	Liabilities $'000	Contract/ Notional Amount $'000	Assets $'000	Liabilities $'000
Forward currency contracts						
– at fair value through profit or loss	**84,000**	**238**	**(1,398)**	74,000	69	(447)
– At fair value through hedging reserve	**–**	**–**	**–**	27,500	165	(98)
	84,000	**238**	**(1,398)**	101,500	234	(545)

19. CASH AND SHORT-TERM DEPOSITS

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Short-term deposits	**19,919**	67,983	**12,000**	53,017
Cash at banks and on hand	**137,138**	125,742	**45,205**	54,141
	157,057	193,725	**57,205**	107,158

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

Short-term deposits are made for varying periods of between one week to three 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 as at 31 December 2014 for the Group and the Company were 1.00% (2013: 1.20%) and 0.96% (2013: 1.10%) respectively.

19. CASH AND SHORT-TERM DEPOSITS (CONT'D)

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

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Euro	**341**	474	**145**	232
Indian Rupee	**311**	36	**–**	–
Indonesian Rupiah	**180**	302	**–**	–
Malaysian Ringgit	**1,258**	205	**141**	143
Renminbi	**182**	5,384	**–**	–
Saudi Riyal	**6,098**	3,123	**–**	–
Thai Baht	**8,979**	9,969	**–**	–
United States Dollar	**26,440**	73,029	**12,607**	55,622
Pound Sterling	**453**	688	**–**	–
Arab Emirates Dirham	**9,493**	3,007	**–**	–

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	
	2014	**2013**
	$'000	$'000
Short-term deposits	**19,919**	67,983
Cash at banks and on hand	**137,138**	125,742
	157,057	193,725
Less: Short-term deposits pledged as collateral for bank facilities (Note 20)	**–**	(37,998)
Cash and cash equivalents	**157,057**	155,727

20. LOANS AND BORROWINGS

		Group		Company	
	Maturity	2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Current:					
Obligations under finance leases (Note 25a)	2016	**8**	44	**–**	–
Bank loans:					
– USD revolving credit facility at LIBOR[1] + 1.5% p.a.	2014	**–**	37,998	**–**	–
– USD loan at COF[2] + 1.05% p.a.	2014	**–**	10,133	**–**	10,133
– SAR term loan	2018	**2,261**	2,027	**–**	–
		2,269	50,202	**–**	10,133
Non-current:					
Obligations under finance leases (Note 25a)	2016	**–**	73	**–**	–
SAR term loan	2018	**8,772**	9,490	**–**	–
		8,772	9,563	**–**	–
Total loans and borrowings		**11,041**	59,765	**–**	10,133

(1) LIBOR: London Interbank Offered Rate
(2) COF: Cost of Funds of lending bank

<u>Obligations under finance leases</u>

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. (2013: 2.0% p.a.). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

<u>USD revolving credit facility at LIBOR + 1.5% p.a.</u>

The working capital banking facility granted to a subsidiary is secured by a corporate guarantee (Note 25) and pledged deposits (Note 19) provided by the Company.

These amounts were fully repaid in 2014.

20. LOANS AND BORROWINGS (CONT'D)

USD loan at COF + 1.05% p.a.

The tenure of this unsecured loan is 3 months and repaid during the year.

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 2014, an amount of SAR 43,723,000 (2013: SAR 41,061,000) has been drawn down from the facility. The loan is repayable in 14 semi-annual instalments commencing from 8 March 2013 with the last instalment on 29 June 2018. During the year ended 31 December 2014, the subsidiary has made repayments amounting to SAR 5,413,000 (2013: SAR 4,000,000). 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.

21. TRADE AND OTHER PAYABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables				
– External parties	**89,354**	99,266	**20,278**	18,242
– Subsidiaries	**–**	–	**33,601**	19,315
– Associates	**1,042**	225	**–**	–
Other payables				
– External parties	**1,442**	5,666	**661**	626
– Subsidiaries (non-trade)	**–**	–	**90,022**	52,462
Accrued operating expenses	**51,688**	36,714	**17,278**	12,136
Total trade and other payables	**143,526**	141,871	**161,840**	102,781
Add:				
Loans and borrowings (Note 20)	**11,041**	59,765	**–**	10,133
Total financial liabilities carried at amortised cost	**154,567**	201,636	**161,840**	112,914

21. TRADE AND OTHER PAYABLES (CONT'D)

Trade and other payables 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	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Arab Emirates Dirham	**15,871**	8,151	**118**	–
Euro	**448**	251	**230**	111
Indonesian Rupiah	**60**	136	**–**	–
Pound Sterling	**–**	8	**–**	–
Saudi Riyal	**15,589**	39,339	**5**	59
Thai Baht	**4,693**	3,209	**–**	–
United States Dollar	**16,237**	26,506	**3,752**	2,367

Amounts due to subsidiaries and associates

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

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

22. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group and Company			
	2014		**2013**	
	No. of shares		**No. of shares**	
	'000	$'000	'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.

22. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) *Treasury shares*

	Group and Company			
	2014		**2013**	
	No. of shares		**No. of shares**	
	'000	$'000	'000	$'000
At 1 January and 31 December	**(336)**	**(161)**	(336)	(161)

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

23. OTHER RESERVES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Foreign currency translation reserve	**620**	(3,120)	**–**	–
Statutory reserve	**300**	300	**–**	–
Capital reserve	**547**	560	**–**	–
Hedging reserve	**–**	67	**–**	67
	1,467	(2,193)	**–**	67

(a) *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.

(b) *Statutory reserve*

In accordance with the Saudi Arabian Regulations applicable to the Group's subsidiaries in the Saudi Arabia ("SA"), these subsidiaries 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.

(c) *Capital reserve*

Included is an amount of $467,000 (2013: $480,000) relating to premium on acquisition of non-controlling interests.

23. OTHER RESERVES (CONT'D)

(d) *Hedging reserve*

Hedging reserve comprises the portion of the fair value changes on financial instruments designated as cash flow hedging instruments that are determined to be effective hedges.

These reserves are not available for distribution as dividends.

24. 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	
	2014	**2013**
	$'000	$'000
Associates		
Accounting fee received	–	48
Contract sales and services	**6,065**	1,195
Rental received	**28**	29

(b) *Compensation of key management personnel*

	Group	
	2014	**2013**
	$'000	$'000
Short-term employee benefits	**7,160**	3,079
Central Provident Fund contributions	**93**	86
	7,253	3,165
Comprise amounts paid to:		
Directors of the Company	**4,982**	1,064
Other key management personnel	**2,271**	2,101
	7,253	3,165

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

25. COMMITMENTS

(a) *Finance lease*

The Group has finance leases for certain items of plant and equipment (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:

	2014		2013	
	Minimum payments $'000	**Present value of payments** $'000	**Minimum payments** $'000	**Present value of payments** $'000
Group				
Not later than one year	**9**	**8**	50	44
Later than one year but not later than five years	**–**	**–**	78	73
Total minimum lease payments	**9**	**8**	128	117
Less: Amounts representing finance charges	**(1)**	**–**	(11)	–
Present value of minimum lease payments	**8**	**8**	117	117

(b) *Operating lease commitments – as lessee*

The Group has entered into commercial leases on certain premises. These leases have remaining tenures ranging from 17 years to 22 years with no contingent rent provision included in the contracts.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 31 December 2014 amounted to $701,000 (2013: $665,000).

25. COMMITMENTS (CONT'D)

(b) *Operating lease commitments – as lessee (cont'd)*

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

	Group	
	2014	**2013**
	$'000	$'000
Not later than one year	**619**	701
Later than one year but not later than five years	**2,648**	3,197
Later than five years	**3,903**	6,953
	7,170	10,851

Guarantees

The Company has provided corporate guarantees to a maximum amount of $5,628,000 (2013: $43,870,000) to secure banking facilities for a subsidiary company (Note 20).

26. FAIR VALUE OF ASSETS AND LIABILITIES

A. Fair value hierarchy

Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There have been no transfers between fair value measurement levels during the financial years ended 31 December 2014 and 2013.

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

B. Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities carried at fair value at the end of the reporting period:

	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
	$'000	$'000	$'000	$'000
Group				
2014				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 13)				
– Equity investments (quoted)	**29**	**–**	**–**	**29**
Foreign currency contracts (Note 18)				
– At fair value through profit or loss	**–**	**238**	**–**	**238**
At 31 December 2014	**29**	**238**	**–**	**267**
Liabilities measured at fair value				
Financial liabilities:				
Foreign currency contracts (Note 18)				
– At fair value through profit or loss	**–**	**(1,398)**	**–**	**(1,398)**
At 31 December 2014	**–**	**(1,398)**	**–**	**(1,398)**

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

B. Assets and liabilities measured at fair value (cont'd)

	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
Group				
2013				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 13)				
– Equity investments (quoted)	29	–	–	29
Foreign currency contracts (Note 18)				
– At fair value through profit or loss	–	69	–	69
– At fair value through hedging reserve	–	165	–	165
At 31 December 2013	29	234	–	263
Liabilities measured at fair value				
Financial liabilities:				
Foreign currency contracts (Note 18)				
– At fair value through profit or loss	–	(447)	–	(447)
– At fair value through hedging reserve	–	(98)	–	(98)
At 31 December 2013	–	(545)	–	(545)

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

B. Assets and liabilities measured at fair value (cont'd)

	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
Company				
2014				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 13)				
– Equity investments (quoted)	**28**	**–**	**–**	**28**
Foreign currency contracts (Note 18)				
– At fair value through profit or loss	**–**	**238**	**–**	**238**
At 31 December 2014	**28**	**238**	**–**	**266**
Liabilities measured at fair value				
Financial liabilities:				
Foreign currency contracts (Note 18)				
– At fair value through profit or loss	**–**	**(1,398)**	**–**	**(1,398)**
At 31 December 2014	**–**	**(1,398)**	**–**	**(1,398)**

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

B. Assets and liabilities measured at fair value (cont'd)

	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
Company				
2013				
Assets measured at fair value				
Financial assets:				
Available-for-sale financial assets (Note 13)				
– Equity investments (quoted)	28	–	–	28
Foreign currency contracts (Note 18)				
– At fair value through profit or loss	–	69	–	69
– At fair value through hedging reserve	–	165	–	165
At 31 December 2013	28	234	–	262
Liabilities measured at fair value				
Financial liabilities:				
Foreign currency contracts (Note 18)				
– At fair value through profit or loss	–	(447)	–	(447)
– At fair value through hedging reserve	–	(98)	–	(98)
At 31 December 2013	–	(545)	–	(545)

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

B. Assets and liabilities measured at fair value (cont'd)

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.

C. 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 (Note 15), trade and other payables (Note 21), 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.

D. 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:

		Group				Company			
		2014 $'000		2013 $'000		2014 $'000		2013 $'000	
	Note	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:									
Equity investments, at cost	13	**2,388**	*****	867	*	**867**	**–**	867	*
Investment loan	13	**24,067**	**@**	–	–	**–**	**–**	–	–
Other receivables (non-current)	15	**6,785**	**#**	8,538	#	**6,785**	**#**	8,538	#
Financial liabilities:									
Loans and borrowings (non-current)	20	**8,772**	**8,344**	9,563	8,661	**–**	**–**	–	–

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

D. 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 (cont'd)

* Equity investments 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.

@ Investment loan (Note 13)

Fair value information has not been disclosed for the Group's investment loan that is carried at cost because the fair value cannot be measured reliably. The fair values of these amounts are not determinable as there is no observable input on the incremental lending rate for similar types of borrowing arrangements at the end of the reporting period.

Non-current other receivables due from associates (Note 15)

Fair value information has not been disclosed for the Group's and the Company's non-current receivables from associates 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 have been measured under level 2 of the fair value hierarchy, by discounting expected future cash flows at market incremental lending rate for similar types of borrowing arrangements at the end of the reporting period.

27. 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 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.

<u>Exposure to credit risk</u>

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 $5,628,000 (2013: $43,870,000) relating to corporate guarantees provided by the Company to banks on bank facilities granted to a subsidiary company.

27. 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 from external parties at the end of the reporting period is as follows:

	Group			
	2014		**2013**	
	$'000	% of total	$'000	% of total
By country:				
Singapore	**124,205**	**72**	84,899	65
Saudi Arabia	**29,304**	**17**	28,134	21
United Arab Emirates	**14,259**	**8**	14,897	11
Thailand	**4,600**	**3**	1,167	1
Others	**180**	**–***	2,105	2
	172,548	**100**	131,202	100

* less than 1%

At the end of the reporting period, approximately:

97% (2013: 58%) of the Group's trade receivables were due from 5 major customers who are in the oil and gas industry located in Singapore, Kingdom of Saudi Arabia and United Arab Emirates.

4% (2013: 9%) of the Group's trade and other receivables were due from related parties while 65% (2013: 60%) 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).

27. 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 21% (2013: 84%) and nil (2013: 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.

	2014 $'000				**2013** $'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	**143,526**	**–**	**–**	**143,526**	141,871	–	–	141,871
Forward currency contracts	**1,398**	**–**	**–**	**1,398**	545	–	–	545
Loans and borrowings	**2,269**	**8,772**	**–**	**11,041**	50,417	9,563	–	59,980
Total undiscounted financial liabilities	**147,193**	**8,772**	**–**	**155,965**	192,833	9,563	–	202,396
Company								
Trade and other payables	**161,840**	**–**	**–**	**161,840**	102,781	–	–	102,781
Forward currency contracts	**1,398**	**–**	**–**	**1,398**	545	–	–	545
Loans and borrowings	**–**	**–**	**–**	**–**	10,150	–	–	10,150
Total undiscounted financial liabilities	**163,238**	**–**	**–**	**163,238**	113,476	–	–	113,476

27. 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.

	2014 $'000				2013 $'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	2,400	–	4,000
Company								
Financial guarantees	**1,154**	**4,474**	**–**	**5,628**	40,630	7,240	–	47,870

(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 arise from their loans and borrowings. Its borrowings are at floating rates. The Group manages its interest rate risk on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement of rates.

<u>Sensitivity analysis for interest rate risk</u>

There is no interest rate risk exposure as interest bearing loans and borrowings have been repaid during the year. At the end of the previous reporting period, if USD interest rates had been 100 basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $499,000 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.

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

(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), Saudi Riyals (SAR) and Arab Emirates Dirham (AED). The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD). Approximately 37% (2013: 44%) of the Group's sales are denominated in foreign currencies whilst almost 78% (2013: 71%) 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.

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 enters into forward currency contracts to hedge the net exposure of its foreign currency denominated financial asset, liabilities and firm commitments. The Group does not enter into these forward currency contracts for speculative purpose. 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, United Arab Emirates, Malaysia, 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.

<u>Sensitivity analysis for foreign currency risk</u>

The following table demonstrates the sensitivity of the Group's profit/(loss) 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	
	2014	**2013**
	$'000	$'000
	Profit before tax	Loss before tax
USD/SGD		
– strengthened 1% (2013: 1%)	**+553**	+876
– weakened 1% (2013: 1%)	**–553**	–876

28. 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 2014 and 31 December 2013.

As disclosed in Note 23(b), 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 2014 and 2013.

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, hedging reserve and the abovementioned restricted statutory reserve.

	Group	
	2014	**2013**
	$'000	$'000
Loans and borrowings (Note 20)	**11,041**	59,765
Trade and other payables (Note 21)	**143,526**	141,871
Less: Cash and short-term deposits (Note 19)	**(157,057)**	(193,725)
Net (cash)/ debt	**(2,490)**	7,911
Equity attributable to owners of the Company	**256,409**	211,178
Less: – Statutory reserve	**(300)**	(300)
– Hedging reserve	**–**	(67)
Total capital	**256,109**	210,811
Capital and net debt	**253,619**	218,722
Gearing ratio	**–**	4%

29. 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.

29. 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 2014 and 2013.

	Project services		Maintenance and trading		Eliminations		Consolidated	
	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue								
Sales to external customers	**624,806**	537,770	**62,852**	57,256	**–**	–	**687,658**	595,026
Inter-segment sales	**4,810**	1,674	**31,619**	13,197	**(36,429)**	(14,871)	**–**	–
Total revenue	**629,616**	539,444	**94,471**	70,453	**(36,429)**	(14,871)	**687,658**	595,026
Segment result	**99,679**	51,292	**17,545**	17,262	**–**	–	**117,224**	68,554
Unallocated expenses							**(67,051)**	(58,777)
Finance costs	**(1,068)**	(1,583)	**–**	–	**–**	–	**(1,068)**	(1,583)
Share of results of associates	**390**	(178)	**–**	–	**–**	–	**390**	(178)
Unallocated share of results of associates							**(599)**	(429)
Profit/(loss) before tax							**48,896**	7,587
Income tax expense							**(7,921)**	(12,262)
Profit/(loss) after tax							**40,975**	(4,675)

29. 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 2014 and 2013.

	Project services		Maintenance and trading		Consolidated	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities:						
Segment assets	**366,976**	416,689	**81,143**	48,075	**448,119**	464,764
Investment in associates	**1,277**	1,202	**–**	–	**1,277**	1,202
Unallocated assets (Note A)					**9,224**	3,702
Total assets					**458,620**	469,668
Segment liabilities	**287,237**	336,111	**25,032**	17,752	**312,269**	353,863
Unallocated liabilities (Note B)					**17,979**	17,431
Total liabilities					**330,248**	371,294
Other segment information:						
Capital expenditure	**6,285**	5,851	**671**	917	**6,956**	6,768
Depreciation and amortisation	**11,570**	13,537	**1,243**	1,275	**12,813**	14,812

Notes

A Unallocated assets consist of deferred tax assets, tax recoverable and investments in associates amounting to $1,052,000 (2013: $498,000), $856,000 (2013: $877,000) and $7,316,000 (2013: $2,327,000) respectively.

B Unallocated liabilities consist of deferred tax liabilities and income tax payable amounting to $2,150,000 (2013: $1,795,000) and $15,829,000 (2013: $15,636,000) respectively.

Information about major customers

Revenue from 2 (2013: 2) customers amount to $327,309,000 (2013: $273,785,000), arising from the project services segment.

29. 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 2014 and 2013.

	Singapore		Thailand		Middle East		Others		Total	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:										
Sales to external customers	**432,983**	335,003	**41,958**	35,997	**202,823**	219,509	**9,894**	4,517	**687,658**	595,026
Other segment information:										
Segment assets	**294,202**	313,489	**29,360**	26,427	**90,652**	113,518	**33,905**	11,330	**448,119**	464,764
Unallocated assets									**1,908**	1,375
Investment in associates	**2,200**	(2,699)	**–**	–	**–**	–	**6,393**	6,228	**8,593**	3,529
Total assets									**458,620**	469,668
Capital expenditure	**3,863**	3,921	**2,567**	1,860	**235**	787	**291**	200	**6,956**	6,768

30. DIVIDENDS

	Group and Company	
	2014	**2013**
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2013: 1.5 cents (2012: 0.5 cent) per share	**8,513**	2,838
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 2014: 2.5 cents (2013: 1.5 cents) per share	**14,188**	8,513

31. COMPARATIVES

In line with management's strategy to improve understanding, the balance sheet comparative figures have been reclassified to conform with current year's presentation:

	Group		Company	
	As reclassified 2013	**As previously stated 2013**	**As reclassified 2013**	**As previously stated 2013**
	$'000	$'000	$'000	$'000
Gross amount due from customers for contract work-in-progress	41,778	5,252	15	133
Trade and other receivables	144,914	266,296	137,003	189,598
Gross amount due to customers for contract work-in-progress	93,195	178,051	64,145	116,858

Accrued revenue in prior year was reclassified from "Trade and other receivables" to "Gross amounts due from/(to) customers for contract work-in-progress". The above reclassification has no impact to net current assets and net assets.

32. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 25 March 2015.

STATISTICS OF SHAREHOLDINGS

AS AT 5 MARCH 2015
[RULE 1207 (9)]

Class of shares	:	Ordinary shares
Issued and fully paid-up capital	:	S$89,364,213.59
Number of ordinary shares in issue	:	567,854,000
Number of ordinary shares in issue (excluding treasury shares)	:	567,518,000
Number (Percentage) of treasury shares	:	336,000 (0.06%)
Voting rights (excluding treasury shares)	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	10	0.12	166	0.00
100 – 1,000	258	3.06	230,748	0.04
1,001 – 10,000	5,265	62.54	29,768,204	5.25
10,001 – 1,000,000	2,862	33.99	120,494,915	21.23
1,000,001 and above	24	0.29	417,023,967	73.48
	8,419	**100.00**	**567,518,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 5 March 2015)

	Direct Interest	%	Deemed Interest	%
Roger Chia Kim Piow (Note 1)	26,836,816	4.72	172,423,528	30.38
Jenny Wong Oi Moi (Note 2)	6,972,896	1.23	192,287,448	33.88
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. Roger Chia Kim Piow is deemed to have an interest in the shares held by his spouse, Jenny Wong Oi Moi and REL Investments Pte Ltd.
2. Jenny Wong Oi Moi is deemed to have an interest in the shares held by her spouse, Roger 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 5 MARCH 2015
[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) LIMITED	124,197,433	21.88
3.	ROGER CHIA KIM PIOW	26,836,816	4.73
4.	CHIA KIM CHUA	22,242,400	3.92
5.	CITIBANK NOMINEES SINGAPORE PTE LTD	16,102,500	2.84
6.	LIM & TAN SECURITIES PTE LTD	8,439,900	1.49
7.	DBS NOMINEES (PRIVATE) LIMITED	8,276,659	1.46
8.	WONG OI MOI	6,972,896	1.23
9.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	6,787,900	1.20
10.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	5,502,400	0.97
11.	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,480,700	0.79
12.	DBSN SERVICES PTE. LTD.	3,821,620	0.67
13.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,651,600	0.47
14.	UOB KAY HIAN PRIVATE LIMITED	2,567,500	0.45
15.	OCBC SECURITIES PRIVATE LIMITED	1,637,000	0.29
16.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,376,000	0.24
17.	G K GOH STRATEGIC HOLDINGS PTE LTD	1,340,900	0.24
18.	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,318,011	0.23
19.	PHILLIP SECURITIES PTE LTD	1,270,000	0.22
20	LIM YU JIN DESMOND	1,250,000	0.22

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

39.36 % of the Company's shares are held in the hands of public. Accordingly, the Company has complied able to comply with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Rotary Engineering Limited ("the Company") will be held at 17 Tuas Avenue 20, Singapore 638828 on Friday, 17 April 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax exempt dividend of Singapore 2.5 cents per share for the year ended 31 December 2014 *(2013: Singapore 1.5 cents per share).* **(Resolution 2)**

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

   Mr Chia Kim Chua **(Resolution 3)**
   Mdm Jenny Wong Oi Moi **(Resolution 4)**

4. To re-appoint Mr Keith Tay Ah Kee, a Director retiring under Section 153(6) of the Companies Act, Cap. 50, to hold office from the date of this Annual General meeting until the next Annual General Meeting of the Company. **(Resolution 5)**

   Such re-appointment will no longer be subject to shareholders' approval under Section 153(6) of the Companies Act, Cap. 50 as repealed when the Companies (Amendment) Act 2014 comes into force. Mr Keith Tay Ah Kee will then be subject to retirement by rotation under the Company's Articles of Association.

   Mr Keith Tay Ah Kee will, upon re-appointment as a Director of the Company at this Annual General Meeting, remain as Chairman of the Audit Committee and members of the Nominating and Remuneration Committees, and will be considered independent.

5. To approve the payment of Directors' fees of S$370,000 for the year ended 31 December 2014 (2013: S$408,000). **(Resolution 6)**

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 7)**

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

(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 (i)] **(Resolution 8)**

9. **Renewal of Share Purchase Mandate**

That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the Directors of the Company be and are hereby authorised to make purchases 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, which is earlier, after the date of this Ordinary Resolution; and

"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 Purchases, 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 authorised 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 authorised by this Resolution.

[See Explanatory Note (ii)] **(Resolution 9)**
(by taking of a poll)

By Order of the Board

Tan Cher Liang
Secretary

Singapore, 1 April 2015

Explanatory Notes:

(i) The Ordinary Resolution 8 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.

(ii) The Company intends to use its internal sources of funds to finance the purchase or acquisition of its Shares authorised under Resolution 9. 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 5 March 2015 ("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$0.60 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$34,051,080. 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 FY2014 are set out in paragraph 7(d) of the Letter to Shareholders dated 1 April 2015.

Notes:

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 (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

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.

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 at 17 Tuas Avenue 20, Singapore 638828 on Friday, 17 April 2015 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 Financial Statements for the year ended 31 December 2014		
2	Payment of proposed final dividend		
3	Re-election of Mr Chia Kim Chua as a Director		
4	Re-election of Mdm Jenny Wong Oi Moi as a Director		
5	Re-appointment of Mr Keith Tay Ah Kee as a Director		
6	Approval of Directors' fees amounting to S$370,000 for the financial year ended 31 December 2014		
7	Re-appointment of Messrs Ernst & Young LLP as Auditors		
8	Authority to issue new shares		
9	Renewal of Share Buy-back Mandate (By taking of a poll)		

Dated this ____________ day of ____________ 2015

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

* Delete where inapplicable

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 48 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 Roger Chia Kim Piow, Chia Kim Chua and Jenny 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 9 and should accordingly, not be appointed as proxies in respect Ordinary Resolution 9.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

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 48 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

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

II. AUDIT COMMITTEE

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

III. NOMINATING COMMITTEE

- Lam Khin Khui (Chairman)
- Keith Tay Ah Kee
- Roger Chia Kim Piow

IV. REMUNERATION COMMITTEE

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

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 Engineering Limited
- 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 TREL Pte Ltd
- Rotary-Thai Construction Pte Ltd
- ROIL Pte Ltd
- BuildGlobal Pte Ltd
- Eastlog Holding Pte Ltd
- Innovative Biotech Pte Ltd
- iPromar Pte Ltd
- Jasinusa Automobile Pte Ltd
- Oro Storage Asset Management Pte Ltd
- ShopGlobal Pte Ltd
- Sixty-six Switchgears Co Pte Ltd
- Supermec Pte Ltd

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

INDONESIA
- PT Rotary Engineering Indonesia
- PT Rotary Engineering South East Asia
- PT Marino Logistics

PEOPLE'S REPUBLIC OF CHINA
- Changchun FAW United Casting Co Ltd

THAILAND
- Calvert Limited
- Thai Rotary Engineering Public Company Limited

INDIA
- Sinmec Engineering Services (India) Private Limited

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

UNITED ARAB EMIRATES
- Rotary Engineering Fujairah FZE
- Rotary Engineering Limited – Abu Dhabi
- Rotary Engineering Limited - Fujairah

VIETNAM
- Supermec Vietnam Co Ltd

AUSTRALIA
- Rotary Engineering (Australia) Pty Ltd

ROTARY

Smart thinking. Safe hands.

Company's Registration No. 198000255E