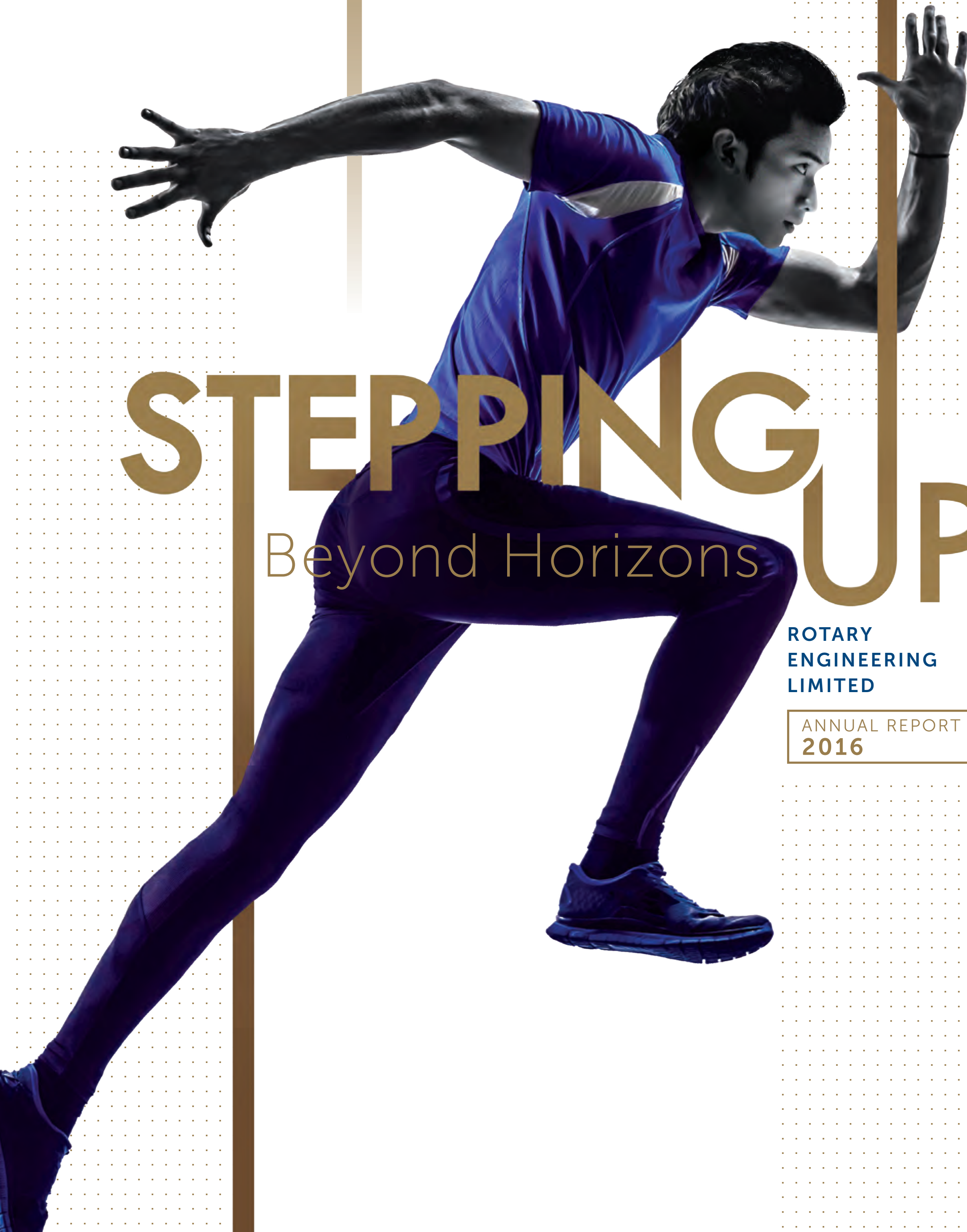


STEPPING UP

Beyond Horizons

ROTARY ENGINEERING LIMITED

ANNUAL REPORT 2016

CONTENTS

ROTARY **AT A GLANCE**

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

Headquartered in Singapore, 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 4,000 employees which include a highly 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, the United Arab Emirates, Myanmar and Slovenia.

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

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.

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

STAYING RESILIENT

Strengthening Operations

Rotary has stepped up its performance in this difficult environment by encouraging greater innovation and higher productivity in all that we do.

CHAIRMAN'S **MESSAGE**

Against such a challenging backdrop in 2016, Rotary Engineering Limited remained nimble and resilient by tapping into our diverse skillsets and experience to market and secure new business.

DEAR SHAREHOLDERS,

In 2016, the crude oil price recovered from a low of US$30 in January to hover around the US$50 level towards the end of the year.*

Despite a more buoyant mood in the oil and gas sector, uncertainty persists. The oil majors will not increase capital expenditure (capex) until the price rise is sustainable. On 30 November 2016, OPEC (The Organisation of the Petroleum Exporting Countries) members agreed to a six-month cut in production. This may not lead to a sustained price increase as U.S. shale oil producers can resume production and consequently cap any price increases.

Adding to the uncertainty: China's economic slowdown, Brexit, and tensions in the Middle East and the Asia-Pacific region persist.

These uncertainties slow down decision making related to long-term business investments such as those in long-gestation oil and gas ventures, which need a stable political and economic climate.

In essence, it may take some time for the crude oil price to return to a level that will result in an increase in capex by oil producers. This is necessary to boost the bottom line of the oil and gas ecosystem.

Against such a challenging backdrop in 2016, Rotary Engineering Limited (Rotary) remained nimble and resilient by tapping into our diverse skillsets and experience to market and secure new business.

REVIEW OF FINANCIAL PERFORMANCE

For the 12 months ended 31 December 2016 (FY2016), the Group recorded net profit attributable to shareholders of S$11.4 million on the back of revenue of S$233.9 million. Revenue declined by 29% as major projects reached completion. Gross profit was S$57.1 million and gross profit margin was maintained at 24%. Earnings per share was 2.0 Singapore cents per ordinary share.

The Singapore market accounted for 70% of revenue up from

* World Bank Commodity Markets Report 2016

CHAIRMAN'S **MESSAGE**

56% in FY2015. This is due to a more diverse mix of smaller projects from a wider spectrum of industries. Some of our Singapore projects include: Work for an LNG receiving terminal, a refinery's power cogeneration system, Changi Airport Terminal 4 fuel hydrant system, and a jetty for a tank farm.

The ASEAN region ranked second in revenue, mainly attributed to Thailand's contribution of 12%. Our Thai subsidiary continues to do well with its advanced fabrication capabilities that support the regional demand for pressure vessels, heat exchangers, boilers, cooling towers and other ancillaries. It was also involved in the construction of two 160,000m^3 LNG tanks.

The Middle East, with its plans for large scale storage, refining and petrochemical complexes, continues to hold good prospects for the Group. We currently have projects in Saudi Arabia, Dubai and Fujairah. Rotary has established a brand name in this region with past projects such as the Fujairah Oil Terminal and SATORP; both serve as a showcase of Rotary's expertise, and help generate a regular stream of enquiries from project owners and planners in the region.

REVIEW OF FINANCIAL POSITION

The Group's financial position remains healthy despite the prolonged slump in the crude oil price that has significantly impacted its business in FY2016.

The Group's balance sheet remains strong with cash and cash equivalents of S$86.0 million. Equity attributable to shareholders decreased from S$289.1 million to S$160.6 as at 31 December 2016. Net Asset Value per ordinary share (NAV) was 28.3 Singapore cents as at 31 December 2016.

The Group has a Current Ratio of 1.4 times and a Net Cash position of S$64.8 million as at 31 December 2016.

DIVIDENDS

Despite the difficult conditions, we remain resilient and have performed relatively well for 2016. We have strategies and plans in place to position for the eventual upturn in the oil and gas cycle.

Taking into account our performance, and as a token of appreciation for the continued support from our Shareholders, the Board would like to propose a final dividend of 0.5 Singapore cent per ordinary share for FY2016.

STEPPING UP

Rotary has stepped up its performance in this difficult environment by encouraging greater innovation and higher productivity.

We are constantly on the lookout for new ways to harness Information Technology that allows us to climb the productivity ladder.

In operations, we often prefabricate and modularise off-site and transport the completed modules with our own barges for on-site installation. For example, in our jetty topside projects, the prefabricated modules including piping and E&I, were done in our Batam yard. These were then transported by barge and installed in Singapore. This results in significant time and cost savings for our clients.

We are constantly on the lookout for new ways to harness Information Technology that allows us to climb the productivity ladder.

In construction, our workforce is well-trained for the job and work with the best equipment.

QHSE (QUALITY, HEALTH, SAFETY, ENVIRONMENT)

One steadfast value of the Rotary brand is "Smart Thinking. Safe Hands", which expresses our commitment to High Productivity and Work Safety.

We have an excellent track record in work safety and have won many awards. Some of the recent awards won by the Group and its subsidiaries are:

Overseas Awards

- Royal Society for the Prevention of Accident (RoSPA) Health and Safety Gold Medal Awards: Rotary Electrical & Instrumentation Pte. Ltd., Rotary IMC Pte Ltd, Rotary Mechanical and Construction Company (Private) Limited
- Royal Society for the Prevention of Accident (RoSPA) Health and Safety Gold Awards: Rotary-Thai Construction Pte. Ltd., Rotary MEC (M) Sdn. Bhd.
- Construction Engineering Industry Sector Award for Occupational Health & Safety: Rotary Engineering Limited

CHAIRMAN'S **MESSAGE**

Local Awards

- Workplace Safety and Health (WSH) Performance Gold Awards: Rotary-Thai Construction Pte. Ltd.
- Workplace Safety and Health (WSH) Performance Silver Awards: Rotary Engineering Limited, Rotary Mechanical and Construction Company (Private) Limited, Rotary Electrical & Instrumentation Pte. Ltd.
- Workplace Safety and Health (WSH) SHARP Awards: Rotary Electrical & Instrumentation Pte. Ltd. - Afton Project Lion

Business Development

In FY2016, we implemented a two-pronged business development strategy with short-term and long-term objectives. In the short-term, we intensified our marketing to ensure that Rotary had sufficient projects to utilise its resources efficiently and remain profitable. The average size of projects available in 2016 was smaller, and we had to diversify our efforts to target companies unrelated to the oil and gas sector.

We remain focused on our long-term objective of occupying other parts of the bulk liquid storage value chain. We have established a presence in Vietnam and Indonesia as both countries have rapidly urbanising populations of 90 million and 250 million, respectively, and hold great potential for the oil storage infrastructure business. Both lack the necessary storage and distribution infrastructure to cater to the growing volume of bulk liquid petroleum-based products that are required for energy, transportation and consumer products.

The Middle East is a major hub for oil production. The Middle East countries have ambitious plans to go downstream with higher value-add activities such as refining and petrochemicals. Despite the current low price of crude oil, some of these long-gestation plans that involve tankage and jetties are still on the books and the Middle East cannot be ignored in any business development strategy. Due to the scale of their crude oil production, the projects in the Middle East are also larger and more complex and will remain an important source of revenue and earnings for Rotary.

BEYOND THE HORIZON

We have progressed beyond tank storage construction to be a one-stop provider of solutions for bulk liquid storage. From Front End Engineering Design (FEED) to project construction and commissioning, we are able to give our customers a comprehensive range of services.

We are bidding for projects in the Middle-East, Malaysia and Singapore for petrochemical complexes, refineries, specialty chemicals storage and LNG terminals. These projects are more complex and of a higher

value and require the integration of different engineering disciplines from structural to mechanical, piping, E&I (electrical and instrumentation) and civil engineering. Such projects may extend beyond tankage to include the construction of jetties, topsides, and the piping, pumps and electrical instrumentation that handle the input and output of production facilities.

Rotary will explore opportunities to expand its presence in new markets and areas of the bulk liquid value chain that are less correlated with crude oil prices.

The oil and gas sector is huge, with many supporting industries that have varying degrees of correlation with crude oil prices. Demand for bulk liquid storage is still robust despite the current slump. Storage is required not only by oil and oil products producers, but refiners, traders as well as manufacturers too.

The development and operation of tank storage infrastructure is a natural progression up the bulk liquid storage value chain. The Group has an established track record in the engineering design and construction of tank storage and its ancillaries, and a deep knowledge base on the operation of storage terminals.

All these position us well for the future. While we diligently seek to ensure our bottom line remains positive during the current slump, we continue to plan for the future.

ACKNOWLEDGEMENTS

I would like to thank the Board for its guidance and valuable advice in steering the company through these difficult times. I would also like to express my deepest appreciation to our business associates, suppliers and shareholders for their support and trust in Rotary. Lastly, I would like to thank the management and staff for their dedication and hard work in contributing to the Group's success.

MR ROGER CHIA KIM PIOW
Executive Chairman and
Managing Director

BOARD OF DIRECTORS

From left to right:
Badri Narayanan Santhana Krishnan, Lam Khin Khui, Roger Chia Kim Piow, Chia Kim Chua, Jenny Wong Oi Moi, Keith Tay Ah Kee

ROGER CHIA KIM PIOW

Executive Chairman & Managing Director

Roger Chia Kim Piow is the Founder and Executive 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 capitalisation) 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 the Republic of Singapore in 2010 in recognition of his community services.

CHIA KIM CHUA

Executive Director

Chia Kim Chua has been with Rotary since 1980 and was appointed to the Board in 1982. He has overseen the Group's Project Management Department and was involved in many of the Group's major EPC projects in Singapore and overseas. His extensive experience is an invaluable contribution in his current advisory role for the general management and operations of the Group.

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.

KEITH TAY AH KEE

Independent Director

Keith joined the Board on 1 Feb 1993 and is the Chairman of the Audit Committee. He was the Chairman and Managing Partner of KPMG Peat Marwick Singapore from 1984 to 1993 and President of the Institute of Certified Public Accountants of Singapore (now known as Institute of Singapore Chartered Accountants) from 1982 to 1991.

His past principal directorships in the preceding three years include SATS Ltd., Singapore Reinsurance Corporation Limited, F J Benjamin Holdings Ltd, YTL Starhill Global REIT Management Limited and Singapore Post Limited.

Keith qualified as a Chartered Accountant in London, UK. He was conferred the BBM – Public Service Star in 1990 by the President of the Republic of Singapore. In 1988, he was conferred the First International Award by the Institute of Chartered Accountants in England & Wales for outstanding contributions to the profession. The Institute of Certified Public Accountants of Singapore conferred upon him the Gold Medal for distinguished service to the profession and made him an Honorary Fellow in 1993.

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:
Ho Se Wai, Leong Sook Han, Koh Chun Peng, Kellin Tham

HO SE WAI

Chief Information Officer

Rotary Engineering Limited

Ho Se Wai joined the Group in 2009 as CIO with over 20 years of operational and professional experience in IT. Prior to joining the Group, she has held various positions in multinational companies, both in the IT vendor environment as well as in-house operations. These 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).

LEONG SOOK HAN

Chief Financial Officer

Rotary Engineering Limited

Han joined the Group in 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 global multinational companies. She has spent more than 10 consecutive years of her career in international assignments, based in Hong Kong, Europe and China.

Her experience includes various areas of business finance, strategic planning, treasury, M&A, business development and divestment. She has acted as a key member of the leadership and 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 also a non-practising member of the Institute of Singapore Certified Accountants (ISCA).

KOH CHUN PENG

Business Development Director

Rotary Engineering Limited

Koh Chun Peng joined the Group in 2007, and has more than 15 years of market entry and business development experience. He heads the Group's Business Development 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.

KELLIN THAM

Procurement Director

Rotary Engineering Limited

Managing Director

Rotary Electrical & Instrumentation Pte. Ltd.

Supermec Private Limited

Acting Head of Department

Rotary Mechanical and Construction Company (Private) Limited

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 Private Limited, and managing all local and overseas procurement needs of the Group.

SENIOR
MANAGEMENT

From left to right:
Jennie Tan, Loh Nee Chuan, Choo Kwok Ian, Meena Natarajan

JENNIE TAN

Commercial and Contracts Manager

Rotary Engineering Limited

Jennie graduated from the National University of Singapore in 1984 and was called to the Singapore Legal Bar in 1985. She has experience in corporate law, dispute resolution, conveyancing and family law and attained the position of head of litigation.

Prior to her joining the Group in April 2014, Jennie held senior positions in Trust companies and was Resident Manager of a Singapore public-listed Trust, overseeing the formulation and implementation of administration & strategies, regulatory compliance and management of client relationships in the private & corporate trust businesses for a Singapore public-listed trust company.

She joined Rotary as its Commercial and Contracts Manager but has since 2015 overseen the management of the Procurement Department which encompasses the Procurement, Warehouse & Logistics and Legal & Commercial Divisions.

Jennie is an associate member of the Singapore Academy of Law and the Singapore Trustees Association.

LOH NEE CHUAN

Construction Director

Rotary Engineering Limited

Loh Nee Chuan has been with Rotary since July 1983. He holds a Diploma in Construction and Business Studies. He has many years of experience working on different projects for Rotary in several countries. Between 2000 and 2002, he was the Construction Manager in the EPC projects for Oiltanking Phase V & Chem 1 & 2 in Pulau Seraya. In 2005, he spearheaded the construction of the EPC BP Zhuhai LPG Phase-II project in China.

He was the Area Construction Manager for the SATORP Project in Saudi Arabia from 2010 to 2013. After which, he was assigned as the Project Manager for Fujairah Oil Terminal (FOT) in United Arab Emirates from 2013 to 2015.

After successfully completing and handing over the FOT Project, Nee Chuan returned to Singapore and was promoted to Construction Director in May 2015.

CHOO KWOK IAN

Senior Project Director Project Management

Rotary Engineering Limited

Ian Choo is the Senior Project Director of the Group's Project Management Department. He first joined the Group in 2004 as Project Engineer and now helms the department. He works closely with the Engineering Department, Procurement Department and the other business units of the Group to spearhead EPC Projects. Ian holds an Honours degree in Engineering (Mechanical) from the National University of Singapore.

MEENA NATARAJAN

Engineering Director

Rotary Engineering Limited

Meena Natarajan joined the group in 2001 as Process Design Engineer. She brings with her 16 years of engineering design and commissioning experience. She is currently holding the appointment of Engineering Director and heads the Group's Engineering Department.

Since joining the Group in 2001, she has been involved in oil & gas and petrochemical projects for Oiltanking, Vopak, Universal Terminal, SATORP, TOTAL, Shell, ExxonMobil and various other clients in Asia and the Middle East. She also works closely with project management, procurement team, construction team and business development to deliver optimised design solutions for EPC Projects.

Meena holds a Bachelor Degree of Engineering (Chemical) from Annamalai University, India and a Master Degree of Science (Chemical Engineering) from the National University of Singapore.

SENIOR **MANAGEMENT**

From left to right:
Kenneth Ong Chee Keong, Thiwa Lersdee, Tony Fam

KENNETH ONG CHEE KEONG

Deputy General Manager

Rotary Mechanical and Construction Company (Private) Limited

PT. Rotary Engineering Indonesia

Kenneth first joined Rotary Engineering Limited as the Mechanical & Piping Engineer in April 2007, and rose through the ranks to assume the appointment of Deputy Mechanical & Piping Manager in 2012. Over the years, he has been involved in both local and overseas EPC projects, including the SATORP project in Jubail, Saudi Arabia, the Singapore Parallel Train Olefins Recovery Plant project, the Oiltanking Singapore Phase 5/6 & 10 expansion project, the Map Ta Phut Olefins Recovery Plant project in Rayong Thailand, the Oiltanking Merak Terminal in Indonesia, and the Universal Terminal project in Jurong Island.

In 2012, Kenneth was assigned to PT. Rotary Engineering Indonesia (PTREI) as the Operations Manager spearheading the shop fabrication activities. The following year, he was promoted as the Deputy General Manager for PTREI. In 2016, as part of the Group's restructuring exercise, Kenneth was assigned to assist in overseeing Rotary Mechanical and Construction Company (Private) Limited (RMC).

Kenneth brings with him more than 15 years of related industry experiences in both project and construction management fields. He graduated with a Technical Diploma in Mechanical Engineering from the Ngee Ann Polytechnic in year 1997 and is a certified AWS Welding Inspector.

THIWA LERSDEE

Deputy General Manager

Rotary-Thai Construction Pte. Ltd.

Thiwa joined Thai Rotary Engineering Public Company Limited (TREL) in 2002 as a Project Engineer. Over the years, he has grown with the company and has held several management positions in both local and overseas projects. Thiwa has been the Head, Project Task Force Department since 2014.

In June 2016, Thiwa was appointed as the Deputy General Manager for Rotary-Thai Construction Pte. Ltd. (RTC).

Thiwa brings with him more than 25 years in related industry experiences in both construction and project management. He graduated with a Bachelor of Mechanical Engineering from Rajamangala University of Technology, Bangkok.

TONY FAM

General Manager

Rotary IMC Pte Ltd

Group General Manager

Thai Rotary Engineering Public Company Limited

Tony joined Rotary-Thai Construction Pte. Ltd. (RTC) as Project Manager in March 2007, and was concurrently assigned as the Vice President for Thai Rotary Engineering Public Company Limited (TREL), responsible for business development in Thailand.

In 2011, Tony was promoted to General Manager, for both RTC and TREL. Tony spearheads both RTC and TREL in the tankage construction business, and focuses on driving sustainable growth and profitability for the Group. In 2013, he was assigned as Group General Manager for Thailand.

In 2016, Tony was assigned to spearhead Rotary IMC Pte Ltd (RIMC), a Rotary company responsible for the Maintenance businesses.

Tony brings with him more than 28 years of related industry experience in both business management and development. 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).

SENIOR **MANAGEMENT**

From left to right:
Ramu Baskar, Andy Ng, Charles Tan, James Robert Prakash

RAMU BASKAR
Project Director
Rotary Electrical & Instrumentation Pte. Ltd.
Rotary MEC (M) Sdn. Bhd.

Baskar joined the Group in 1993 as a Project Engineer after completing his Masters degree from the National University of Singapore. As the Project Director, he has successfully managed electrical and instrumentation projects and maintenance works in Singapore & Malaysia. Baskar's international work experience includes stints in Indonesia, China, Saudi Arabia, Thailand and India. He has more than two decades of work experience in the E&I field and his work experience include projects for the oil majors: Exxon Mobil, Shell and Chevron.

Baskar's knowledge of electrical & instrumentation works for the pharmaceutical, renewable & bio-diesel industries is an asset to the Group. He is also certified in Construction Safety.

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 of which are Rotary Group subsidiary companies. He joined the Group in 2010 as a 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 exercise for the refreshing of 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 a financial markets data analytics company.

CHARLES TAN
Senior Manager
QHSE
Rotary Engineering Limited

Charles Tan joined Rotary in February 2016 as Senior Quality, Health, Safety and Environment (QHSE) Manager. His responsibility is to ensure that all aspects of QHSE for all projects under Rotary Group are being executed as per contractual agreement and to customers' satisfaction. He also ensures that the operations within Rotary Group are in line with local and industry regulations and standards.

Prior to joining Rotary, Charles spent 10 years working in the shipbuilding and ship repairing industry. His last appointment was Deputy HSE Manager at a Singapore-based shipyard where his key responsibilities include daily manpower planning and deployment for various projects and vessels, ensuring compliance to local and industry HSE regulations and standards, annual internal audits, customer management and involvement in project tendering.

Charles graduated from the University of Queensland in Chemical Engineering and was trained as an integrated lead auditor for ISO 9001, ISO 14001 and OHSAS 18001.

JAMES ROBERT PRAKASH
Project Director
Rotary Electrical & Instrumentation Pte. Ltd.

James Robert Prakash joined the Group in 1998. He has since then successfully managed numerous electrical, instrumentation, ELV, HVAC and automation projects in Singapore, Middle East and other countries. He has successfully implemented terminal automation systems for refinery & storage tank farms for Saudi Aramco, TOTAL, Shell, Oiltanking, Vopak, Universal Terminal, BP, Power Seraya, Sinopec, Exxon Mobil and various other clients.

He has 20 years of experience in oil and gas electrical, instrumentation and automation projects. He works closely with the Project Management and Engineering teams in bringing the latest technologies in electrical, instrumentation, ELV and Automation scope to EPC projects, while also managing E&I Department's stand-alone projects.

James Robert holds a Bachelor of Engineering in Instrumentation & Controls and a Master Degree in Business Administration.

SENIOR **MANAGEMENT**

From left to right:
Udomdech Chakaew, Boban Joseph, Tommy Chia

UDOMDECH CHAKAEW

Country Manager (Vietnam)

General Manager

Thai Rotary Engineering Public Company Limited

Udomdech joined Thai Rotary Engineering Public Company Limited (TREL) in year 1996 as a Field Engineer and was promoted to the Project Manager position in year 2004, responsible for both the Project Task Force and Business Development/Proposal Division. In 2013, Udomdech was appointed as the General Manager of TREL.

He brings with him more than 20 years of related industry experiences, and played a key role in growing TREL's business.

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.

BOBAN JOSEPH

Country Manager (UAE/Oman)

Boban Joseph is the Country Manager for United Arab Emirates (UAE) and Oman. He joined the Group in 2013 as Deputy Project Manager of the prestigious Fujairah Oil Terminal project. In August 2014, he was appointed as Regional Business Development Manager for UAE and Oman operations. He is a results-oriented manager, and an experienced team leader. His focus is to enhance the Group's market position in the Middle East, by strengthening its business relationships with clients.

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

TOMMY CHIA

Country Director (Kingdom Of Saudi Arabia)

Tommy Chia joined the Group in 2014 and is the Country Director for the Kingdom of Saudi Arabia, with his key focus on strategising the expansion of Rotary Arabia Company Limited and Petrol Steel Company Limited in the Kingdom. Tommy leads his team with more than 30 years of business experience in the Middle East. His business networks and experience in the marine and offshore oil and gas field is an invaluable asset for the expansion of the Group's footprint in Saudi Arabia to increase market presence.

ORGANISATION STRUCTURE

ROGER CHIA KIM PIOW
Executive Chairman & Managing Director

CHIA KIM CHUA
Executive Director

LEONG SOOK HAN
Chief Financial Officer

ENGINEERING

MEENA NATARAJAN
Director

BUSINESS DEVELOPMENT

KOH CHUN PENG
Director

KELLIN THAM
Director

PROCUREMENT & LOGISTICS

JENNIE TAN
Commercial & Contracts Manager

CONTRACT & LEGAL

JENNIE TAN
Commercial & Contracts Manager

SINGAPORE	Roger Chia Kim Piow (Executive Chairman & MD)
THAILAND	Udomdech Chakaew (General Manager)
SAUDI ARABIA	Tommy Chia (Country Director)
UAE	Boban Joseph (Country Manager)
MALAYSIA	Mohd Jazli (Acting General Manager)
INDONESIA	Chia Kim Chua (Executive Director)
OMAN	Boban Joseph (Country Manager)
VIETNAM	Udomdech Chakaew (Country Manager)

IT

HO SE WAI
Chief Information Officer

HUMAN RESOURCE

ROGER CHIA KIM PIOW
Acting HR Director

PROJECT MANAGEMENT DEPARTMENT

CHOO KWOK IAN
Senior Project Director

QUALITY, HEALTH, SAFETY & ENVIRONMENT

CHARLES TAN JIA HAO
Senior Manager

ELECTRICAL & INSTRUMENTATION

KELLIN THAM
Managing Director
Rotary Electrical & Instrumentation Pte. Ltd.

MECHANICAL

KELLIN THAM
Acting Head of Department
Rotary Mechanical and Construction (Private) Limited

TANKAGE

THIWA LERSDEE
Deputy General Manager
Rotary-Thai Construction Pte. Ltd.

MAINTENANCE

TONY FAM
General Manager
Rotary IMC Pte Ltd

Rotary Electrical & Instrumentation Pte. Ltd., Rotary Mechanical and Construction Company (Private) Limited, Rotary-Thai Construction Pte. Ltd., Rotary IMC Pte Ltd
Thai Rotary Engineering Public Company Limited
Petrol Steel Company Limited, Rotary Arabia Company Limited
Rotary Engineering Fujairah FZE, Rotary Engineering Limited - Fujairah, Rotary Engineering Limited - Abu Dhabi, Rotary Engineering Limited - Dubai
Rotary MEC (M) Sdn. Bhd.
PT. Rotary Engineering Indonesia
Rotary Engineering Limited (Commercial Representative Bureau)
Rotary Engineering Vietnam Company Limited

FORGING FORWARD

Extending Presence

We have established a presence in Vietnam and Indonesia as both countries have rapidly urbanising populations and hold great potential for the oil storage infrastructure business.

GLOBAL **PRESENCE**

LEGEND

- Rotary's Offices
- Rotary's Global Footprint


CHINA
INDIA
MYAMMAR
THAILAND
VIETNAM
MALAYSIA
SINGAPORE
INDONESIA

OPERATIONS
REVIEW

Rotary has evolved from being a Company primarily involved in tankage construction, to its current status as a full-fledged provider of bulk liquid storage solutions.

The year 2016 was notable for the wide spectrum of projects that we have secured. The diversity of our projects is an example of how we have stepped up to meet the challenges of a difficult business environment. Going beyond tankage construction, we have ventured into other parts of the bulk liquid storage industry value chain.

In the Port of Fujairah UAE, we have built a jetty for VLCC (Very Large Crude Carrier) complete with topside and marine loading arms. We have ventured into the promising LNG (Liquid Natural Gas) infrastructure market and now have several projects that are LNG-related. In Singapore, we are doing work on pipelines and a fit-for-purpose trucking facility for an LNG terminal that is already operational. At Singapore Changi International Airport's new Terminal 4, Rotary's ongoing project for the aircraft fuel hydrant system involves not only piping but also substantial civil work. The challenge in this project lies in tying in but not clashing with the existing underground pipeline network to the other terminals in the airport.

Rotary's Mechanical and E&I business units have secured stand-alone projects for their respective specialist disciplines. As plants get more complex, the work to be done on their mechanical and E&I aspects get increasingly demanding, requiring the integration of various sub-systems. Whether its oil terminals, refineries or specialty chemicals plants, the storage and distribution of bulk liquids requires a host of other equipment. Pumps, control valves, lifting equipment, pipelines, metering devices, heat exchangers, cooling systems are some of the ancillaries that tankage requires.

The E&I business unit has also secured one of several packages at Petronas' US$27 billion RAPID (Refinery and Petrochemical Integrated Development) project in Pengerang, Johor, Malaysia. The vast array of metering instruments, switchgears, transformers, lighting that must be integrated showcases the increasingly important E&I aspects of modern plants.

Rotary's Maintenance business unit has also seen good demand for its services. In addition to routine preventive maintenance, many independent terminal operators, oil majors, refineries and chemical plants are taking advantage of the more subdued business environment to do repairs, extensions and upgrades to their facilities. The work involved is demanding and requires an experienced contractor, due to the fact that the maintenance activities have to be carried out while the facility is still in normal business operation. We expect a healthy growth in the demand for such full-scope maintenance services.

Rotary's fabrication skills for odd-shaped metal and alloy pressure vessels, LNG tanks, heat exchangers, boilers, cooling towers and hoppers is another area where we have thrived. Our Thai fabrication facility in the petrochemical hub of Map Ta Phut has an established reputation for

high quality work and secures a steady flow of fabrication jobs from companies in Thailand as well as from the ASEAN region. Singapore is becoming a hub for the manufacture and distribution of lubricants and grease to the region. The EPC contractor for high value lubricants, grease and additives plants must be able to integrate the manufacturers' production technology into their engineering design and construction. In this respect, we have worked hand-in-hand with the owners of these high-value plants at the early FEED (Front End Engineering Design) stage to ensure we can meet their requirements and to assist them in their engineering design, optimisation of land use and construction.

The following paragraphs are a selection of Rotary's projects completed and ongoing in 2016, and showcase our wide spectrum of engineering skills.

SIJORI (SINGAPORE, JOHOR, RIAU ISLANDS)

1. Lube Park Shared Facility (LPSF) Project

Location: Tuas, Singapore
Scope of work: Multi-disciplinary EPC project of shared facilities for a consortium of three oil majors. EPC of 77 carbon steel cone roof tanks including insulated tanks and tanks with heating coils for base oil, finished products and additives. Application of diverse skills including civil work such as piling, soil improvement and construction of buildings and roads. The concept of shared facility also called for a big network of pipes, pumps and valves and the accompanying E&I works for metering and control of inventory. Due to the large number of tanks to be built in a relatively small area, space optimisation was of paramount importance. Our involvement in the FEED was a significant factor for the success of this project.
Status: Completed

2. Grease Plant and Synthetic Plant

Location: Jurong, Singapore
Scope of work: EPC of storage tanks and ancillaries (piping, mechanical and E&I) together with the associated civil work required; including preparation of ground, laying of foundation and architectural.

These two plants, both owned by the same oil major, epitomise the new breed of plants in Singapore's evolving petrochemical ecosystem. The products they manufacture are of higher value and the tankage design specifications are more complex, often requiring integration with the clients' manufacturing technology. Their construction requires multi-disciplinary engineering skills.
Status: Completed

3. Tankstore Tank Farm Project

Location: Pulau Busing Island, Singapore

Scope of work: An offshore EPC tank farm project with tie-in to jetty, topsides and marine loading arms. The tanks comprised a mix of 18 carbon steel and aluminium dome fixed roof tanks plus six external floating roof tanks totalling 790,000 m^3 in capacity.

Due to the existing soil conditions, a considerable amount of civil foundation works like piling and soil improvement was required for the tank foundations, pump station/valve manifold and pipe trench. The volume of concrete required led to the necessity for our onsite cement-batching plant.

Offshore location posed several logistic challenges for transportation, housing and food for workers, and transportation of materials. Strategies for this project included on-site workers' dormitory, water supply using RO plant and onsite cement-batching plant. Use of prefabricated steel structural and pipe spools from our Batam workshop and transportation to the island by our own LCT (Landing Craft Transport) considerably increased the efficiency of logistics and construction.

The project was commissioned in three stages of handover, enabling the client to have an early start to their business operations and progressively scale up as more tankage become operational.

Status: Completed

4. Jetty MJ22 at Oiltanking Project

Location: Jurong Island, Singapore

Scope of work: Construction of new Jetty MJ22 at Oiltanking Phase 6 Terminal. The extensive scope of work demonstrates our new capabilities in the construction of marine jetties complete with ancillaries. Work on the jetty top side included pipe racks, jetty trestle, E&I works, painting, operator cabin and electrical substation, marine loading arms, stripping pumps, slope pump, waste water pump, jib crane with riding access ladder and fire-fighting system.

Significant gains in productivity were recorded from our usage of 3-D modelling for engineering design. Pipe rack modules with product pipes inserted were fabricated in our Batam workshop and transported to site for installation.

The modules with the piping included in the structure were installed on the jetty. This helped to shorten the onsite installation time as well as reduce the manpower and scaffolding cost.

Status: Ongoing

5. SLNG Terminal Trucking Facility and Phase 3 Expansion Project

Location: Jurong Island, Singapore

Scope of work: EPC of a new-built LNG trucking facility in the existing SLNG terminal. This facility is Singapore's first purpose-built LNG trucking facility to cater to LNG truck and ISO tank designs. The LNG will be flowing into the facility through a tie-in of the new pipeline to the existing pipeline and loading into the LNG Truck flow control valve systems that have pay and check metering. An important design feature is the 3.6 metre impounding basin for LNG spill collection and containment.

A separate package at the Terminal was for the fabrication, erection and installation of pipe spools, and the installation of mechanical equipment for the Terminal's expansion programme. The piping network in an LNG terminal is extensive and the pipes have diameters ranging from 1/2 inch to 40 inches. The major challenge in this project is the many tie-ins to existing pipelines in a 'live' LNG terminal with its strict fire and safety regulations.

These two projects showcase the new LNG-related capabilities we have developed that will allow us to tap into the growth potential for LNG in the Asia-Pacific region.
Status: Ongoing

6. Changi Airport Fuel Hydrant Installation (CAFHI)

Location: Changi Airport, Singapore
Scope of work: Rotary has been involved in the Changi Airport Terminal 4 project since 2016 and this project will take us all the way to 2019. Our scope of work is in relation to the extension of the Terminal 4 fuel hydrant system for 50 new aircraft parking stands. Due to the pipelines being underground, a fair amount of civil work is involved such as over 3.4 kilometres of trenching, reinforced concrete piling, and sheet piling.

The challenge is to avoid clashing with the underground pipelines and cables of existing services and to tie in with them. Strict airport security regulations also pose a challenge for quick deployment of workforce.
Status: Ongoing

7. Afton Project Lion

Location: Jurong Island, Singapore
Scope of work: Engineering of ELV (Extra-Low Voltage) system, supply of E&I equipment, installation, testing and commissioning. Includes mechanical equipment such as passenger lift, dumb waiter, dock leveler and overhead crane. Piping works include steam line, waste-water and fire-water network lines.

The engineering, construction and commissioning for specialty chemicals plants is a major challenge due to their sophisticated production technology and manufacturing process. We successfully executed the design and build for all the plant buildings, including the laboratory with its array of equipment and measuring instruments. Our scope of work also included the HVAC (heating, ventilation and air-conditioning) of all the plant buildings.

We completed Phase 1 of the project, and due to our good performance, we have secured the contract for Phase 2 of the project.

Executing Phase 2 with its many interfaces and need for tie-in with existing systems, while operations were ongoing was a major challenge. Approval of Permission-To-Work documents for a live plant is more stringent and takes a longer time to process. Additionally, the engineering must be compatible with the existing system, thus requiring innovative design and construction methodology.
Status: Ongoing

8. Mogas Cogeneration Project for SRC

Location: Jurong Island, Singapore
Scope of work: This power cogeneration plant is part of the new facilities at the SRC refinery. Scope of work covers the installation and commissioning of the GIS HT (Gas Insulated

Switchgear High Tension) switchgears at the SRC's new 22kV intake substation. Additionally, it includes the migration (cut-over works) of the existing refinery's 11 sub-stations, and the Singapore Power Grid supply to the new SRC intake substation. It will allow SRC to generate its own electricity for the refining processes. It is a complex project and the cogeneration unit has to tie in with the refining units such as the new gasoline desulphurisation unit and the Naphtha splitter. The E&I works is very extensive and complex and requires a high level of E&I expertise and experience.

As the work is a partial rebuild of the existing refinery, it is considered a brown field project. Approval of Permission-To-Work documents for a brown field project is more stringent and takes a longer time to process. Besides the E&I work, there were also mechanical and civil work, in particular specialist aluminium welding work that required welders with high level qualifications.
Status: Ongoing

9. Repair, Maintenance, Expansion and Upgrading Works

Location: Various terminals, refineries and plants
Typical Clients: Independent Terminal operators such as Vopak and Tankstore, oil majors like Exxon Mobil and Shell, Singapore LNG Corporation (SLNG) as well as owners of chemicals and pharmaceutical plants.

Scope of work: Tankage-related maintenance work which may include de-sanding and de-oiling of tank floors and surrounding tankage area, replacement of tank bottom and annular plates, repair and replacement of tank roofs, cleaning of pipelines, rings and valves.

However, several of our Maintenance contracts involve E&I and mechanical work. The work scope of some contracts also includes work for the client's expansion and upgrading plans. The current subdued low-cost business environment has seen companies opting to do comprehensive maintenance work, as well as prepare for better times by expanding or upgrading their facilities.

It is an indicator of customer satisfaction when we build for a customer, maintain what we have built, as well as participate in the customer's expansion and upgrading plans.
Status: Ongoing

10. Petronas RAPID Project

Location: Pengerang, Johor, Malaysia
Scope of work: Several RAPID contracts that cover a wide range of E&I works. The Petronas RAPID project is a US$27 billion project that at its peak will involve dozens of EPC contractors and a workforce of 70,000. Thus, the installation and testing of the various piping, mechanical and E&I works requires the workforce to be highly skilled, with many years of experience working on petrochemical complexes and refineries.
Status: Ongoing

11. TF5 Propylene Bullet Tank Storage and Related Facilities

Location: Jurong Island, Singapore
Scope of work: EPC of two mounted bullet tanks of 2800 m^3 each, together with the associated piping, E&I systems and mechanical equipment. Propylene is a flammable and combustible product, and its storage at ambient temperature

requires the use of pressurised vessels of bullet or spherical shape. This is Rotary's first EPC of bullet tanks and showcases the Group's diversity of engineering skillsets. The construction of pressurised bullet tanks is more complex due to the strict engineering codes of design for such tanks with their numerous safety valves and measurement instrumentation.

A high level of productivity was achieved with the construction of the tanks offsite and transported for installation on site.
Status: Ongoing

THAILAND

1. EPC for Grease Plant Revamping

Location: Samutsakhon, Thailand
Scope of work: This project epitomises the type of multi-disciplinary smaller projects that we have secured in the oil and gas sector downturn. Civil work involved the laying of foundations for facilities such as transformers, water tanks and boilers. It also involved the demolition of parts of the plant that do not fit into the revamping programme. The mechanical work involved installation of heat exchangers, boilers and cooling towers. Piping work was carried out for installing the pipelines of the numerous piping systems required to support the manufacturing and storage of the products as well as the demolition of the existing pipelines. E&I work was carried for the plant's electrical control system and all its electrical equipment as well the relocation of the existing transformer.
Status: Ongoing

2. LNG Receiving Terminal

Location: Map Ta Phut, Rayong, Thailand
Scope of work: Fabrication and construction of 2x160,000m^3 LNG tanks. Innovative use of new supporting equipment such as automatic welding bead shavers, plasma gouging machines and improvised erection methodology such as double-block plates welding to enhance both the productivity and quality of work on-site.
Status: Completed

3. JBE-Step-01 Project

Location: Map Ta Phut, Rayong, Thailand
Scope of work: This is a multi-disciplinary EPC project for the construction and fit-up of a new chemical factory in Thailand that required extensive structural, civil, mechanical and piping engineering skills. The civil works included the laying of concrete foundations for the building, the pumps and piping systems, as well as the revamping and concrete paving of the drainage system. The Mechanical works involved installation of six pressure vessels, thirteen pumps, together with one blower and one inline mixer, as well as the installation of the plant's fire-fighting system. Piping works involved the design and installation of the numerous piping systems required to support the manufacturing process. E&I works was carried out for the plant's electrical control system including the numerous equipment and field instruments.
Status: Ongoing

MIDDLE EAST

1. VLCC jetty

Location: Port of Fujairah, UAE
Scope of work: EPC of a jetty and topside for VLCC. Involves steel structural, piping, mechanical, E&I as well as civil work and their integration. Items include marine loading arms installation, switch gears, pumps, transformers, UPS, and telecommunication fibre optic cables.
Status: Completed

2. ISF project

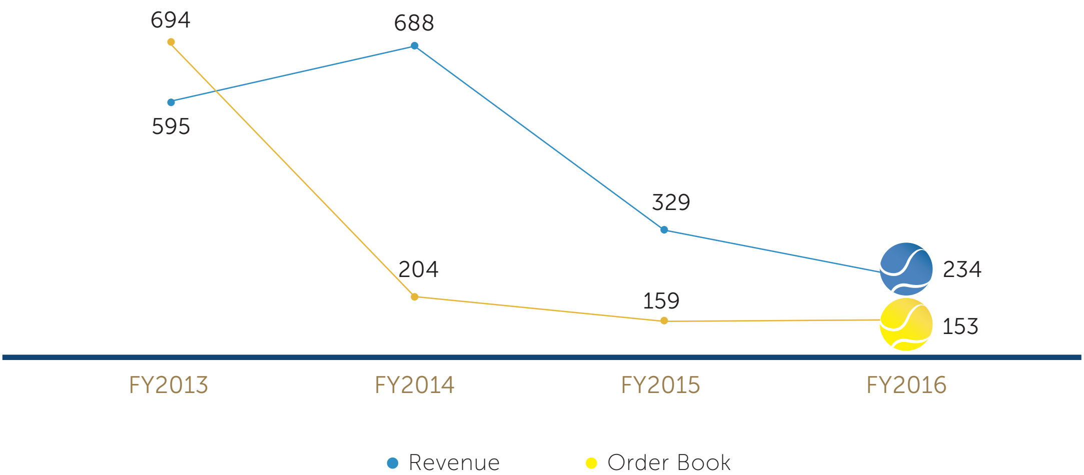
Location: Jubail, Saudi Arabia
Scope of work: EPC of tanks with internal floater for storage of MTBE (Methyl-tert Butyl Methyl) and gasoline.
Status: Project tail-end

3. SEOT Phase 7A Chemical Storage and Handling Project

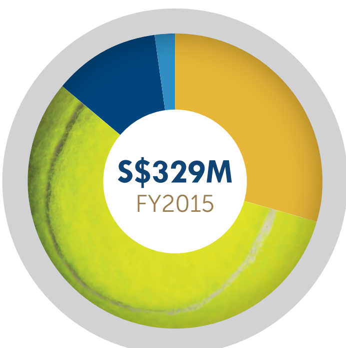
Location: Dubai, UAE
Scope of work: Residual engineering, procurement and construction of 10 tanks of 26,000 cubic metres capacity for chemical storage together with associated civil, piping, mechanical and E&I works. This project is located within the Jebel Ali Free Zone. Due to its strategic location, the Port of Jebel Ali has extensive facilities for the storage of bulk liquid oil products.
Status: Ongoing

ROTARY
SCORECARD

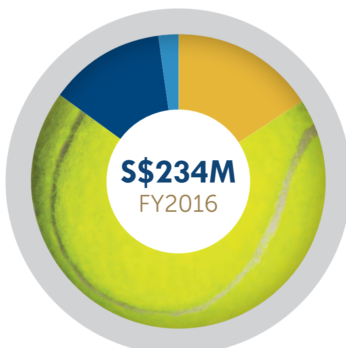
REVENUE & ORDER BOOK (S$ MILLION)



REVENUE BREAKDOWN BY GEOGRAPHIC SEGMENT

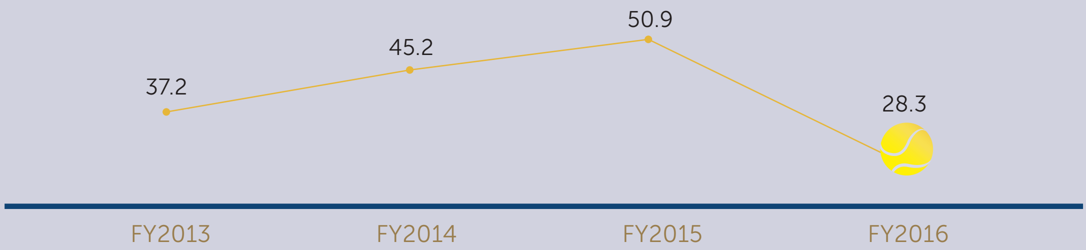


	%
Middle East	30
Singapore	56
Thailand	12
Others	2

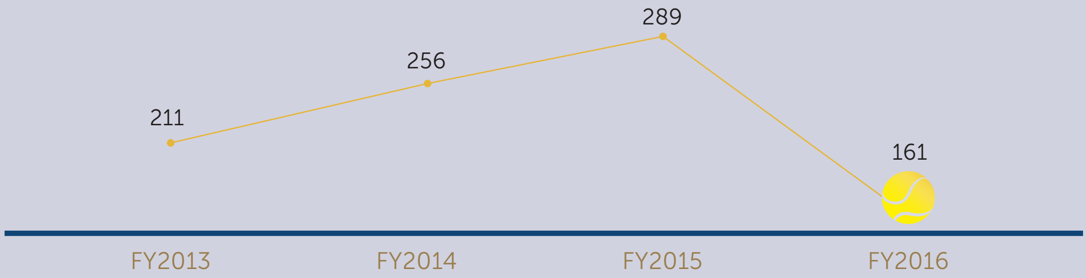


	%
Middle East	16
Singapore	70
Thailand	12
Others	2

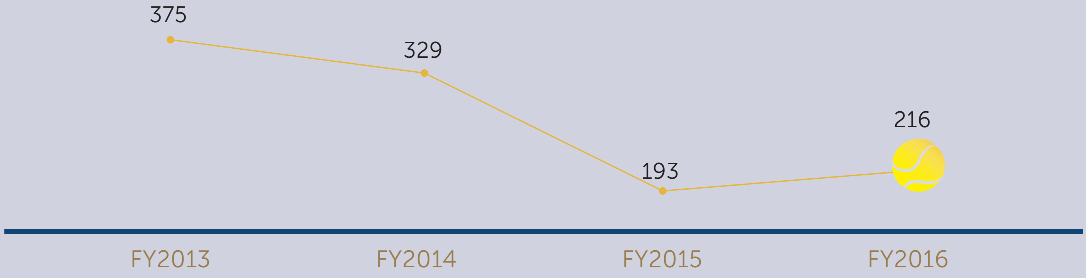
NET ASSET VALUE PER SHARE (CENTS)



SHAREHOLDERS' FUND (S$ MILLION)



MARKET CAPITALISATION (S$ MILLION)



OVERCOMING CHALLENGES

Diversifying Growth

The Group's financial position remains healthy despite the prolonged slump in the crude oil price that has significantly impacted its business in FY2016.

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 (the "Code"). The Board and Management have taken steps to the best it can to align the governance framework with the guidelines of the Code.

The following report outlines the Company's corporate governance policies and practices that were in place. Any deviations from the guidelines of the Code or areas of non-compliance have been explained accordingly. Except for the deviations disclosed below, the Board confirms that the Company has adhered to the principles and guidelines of the Code (where they are applicable, relevant and practicable to the Group).

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 by promoting continuing improvements in Board effectiveness. It will consider sustainability issues such as environmental and social factors as part of its strategic formulation in line with the guidelines of the Code.

The Board provides leadership and oversees the management of the business and affairs of the Group, ensures adequate financial and human resources are in place, sets the Group's corporate and strategic directions including the Company's values and standards, appoints directors to the Board, approves the appointment of key managerial personnel, major funding, investment proposals and divestment, and reviews the financial performance of the Group. Where necessary, additional Board meetings are held to address significant issues or approve major transactions. The Board believes that when making decisions, all directors of the Board had discharged their duties and responsibilities at all times as fiduciaries and acted objectively in the interests of the Company.

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 material capital expenditure, corporate or financial restructuring and interested person transactions.

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

Non-Executive Directors share their views and opinions which provide alternative perspectives to the Group's business. They bring independent judgement to bear on business activities and transactions involving conflicts of interest and other complexities.

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:

Director	Nature of Board Member	Committee Membership: Audit	Nominating	Remuneration
Roger Chia Kim Piow	Executive 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 comprises 6 Directors, of whom 2 are Executive, 2 are Non-Executive and 2 are Independent Directors. There was no alternate Director on the Board. Pursuant to Guideline 2.1 of the Code, at least one-third of the Board is made up of Independent Directors. However, it 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 Chairman is, *inter alia*, part of management team or not an Independent Director, the Independent Directors should make up at least half of the Board, and will revisit its Board composition for FY2017.

The size and composition of the Board is reviewed annually by the Nominating Committee ("NC") to ensure that the size of the Board is appropriate so as to facilitate effective decision making. The review will ensure that there is an appropriate mix of expertise and experience, which the Group may tap on for assistance in furthering its business objectives and shaping its business strategies. The NC, with the concurrence of the Board, is of the view that the current Board size is adequate, taking into account the nature and size of the Group's operations, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees.

Whilst the current Board only has 1 female Director, this is an important aspect of the NC and Board's consideration, should there be any proposed new appointment(s) of member to the Board.

Although the Board does not have a written policy with regards to diversity in identifying director nominees, it will consider the benefits of all aspects of diversity, including diversity of skills, experience, background, gender, age, ethnicity and other relevant factors. New Directors, if any, will continue to be selected based on objective criteria set as part of the process for appointment of new Directors. All Board appointments are made based on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective. 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 10 to 11 of the Annual Report.

CODE OF CORPORATE GOVERNANCE

For FY2016, the Company did not appoint any new first-time Director. All members of the Board are long-serving and are 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 orientation and briefings on the Group's industry and business operations, vision and values, strategic direction, policies (including accounting policies) and governance practices before appointment to the Board. All Directors may also attend relevant courses, conferences, seminars, workshops or training programmes at the Company's expense to enable them to effectively discharge their duties as a Director, if required, from time to time.

The Company will provide a formal letter of appointment to newly appointed Non-Executive Directors, setting out the Director's duties and obligations and terms of appointment whereas Executive Directors will be provided with Service Agreements setting out their terms of office and terms and conditions of appointment.

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

Management is obligated to provide the Board and the Board Committees with complete, adequate and timely information relevant to matters on the agenda for the meetings in advance of the scheduled meetings every quarter. Directors are entitled to request from Management and be provided with additional timely information as needed in order for them to make informed decisions. Information provided includes background or explanations relating to matters to be brought before the Board, copies of disclosure documents and an analytical review on the Group's financial performance. Management also provides the Audit Committee ("AC") and Board a quarterly update on its key projects. In addition, the Executive Chairman and Managing Director also keeps the Board members abreast on the Group's business operations and prospects pursuit.

At least one of the Company Secretaries attend all Board and Board Committees' meetings and assist the Board and Board Committees in ensuring that Board and Board Committees' procedures and all other rules and regulations applicable to the Company are complied with. Under the direction of the Chairman, the Company Secretaries also ensure sufficient or pertinent information flows within the Board and its Board Committees and between the Management and Non-Executive Directors. The appointment and removal of the Company Secretaries are subject to approval by the Board.

The Board of Directors, either individually or as a group, may seek independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such independent professional advisor, if required, is subject to approval by the Board.

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 Constitution allows Board meetings to be conducted by way of a tele-conference or any other electronic means of communication.

The Board sets aside time for Non-Executive Directors to meet without the presence of Management. In addition, the Directors are in frequent contact with one another outside the Board and Board Committees' meetings and hold constant informal discussions amongst themselves.

The number of Board and Board Committees' 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 2016	5	4	1	1
Name & Attendance of Director				
Roger Chia Kim Piow	5	–	1	–
Chia Kim Chua	5	–	–	–
Jenny Wong Oi Moi	4	–	–	–
Badri Narayanan Santhana Krishnan	5	4	–	1
Lam Khin Khui	5	4	1	1
Keith Tay Ah Kee	5	4	1	1

CHAIRMAN AND MANAGING DIRECTOR

Principle 3

Mr. Roger Chia Kim Piow, who is both Executive Chairman and Managing Director of the Company, leads the Board to ensure its effectiveness on all aspects of its role. He is responsible for, amongst others, setting agenda, in particular, strategic issues and ensuring that adequate time is available for discussion of all agenda items and ensuring that the Directors receive complete and adequate, timely and clear information for discussion of all agenda items, particularly strategic issues. In addition to making sure that effective communication is achieved with the Shareholders, he acts as a facilitator to Non-Executive Directors for them to effectively contribute to the Group and to promote high standards of corporate governance and a culture of openness and debate at the Board. He is also responsible for encouraging constructive relations within the Board and between Management and the Board. The Company Secretary(ies) assist(s) the Executive Chairman in scheduling the Board and Board Committees' meetings with the Chief Financial Officer ("CFO").

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. As the Managing Director of the Company, he assumes the role of a Chief Executive Officer ("CEO") who is principally responsible for the management and conduct of the business of the Group. As the roles of the Chairman and CEO are vested on the same person, the division of responsibilities of the Chairman and the CEO is not applicable.

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 AC, NC and Remuneration Committees ("RC") . 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 Executive 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.

CODE OF CORPORATE GOVERNANCE

Guideline 3.3 of the Code provides that a Lead Independent Director should be appointed where the Chairman and CEO is the same person. The Company did not appoint a Lead Independent Director as the NC is of the opinion that the role of Mr. Chia as Executive Chairman, Managing Director and CEO of the Company does not affect the independence of the Board. Shareholders may also approach any Director for assistance if they have any concerns.

Although the Company does not have a Lead Independent Director, the Independent Directors are in frequent contact with one another outside the Board and Board Committees' meetings and have informal discussions amongst themselves, and the feedback, if any, would be provided to the Chairman accordingly.

NOMINATING COMMITTEE

Principle 5

The terms of reference of the NC provide that the NC shall comprise at least three Directors, the majority of whom, including the NC Chairman, shall be independent. The composition of the NC of the Company is as follows:–

Mr. Lam Khin Khui	Independent Director	NC Chairman
Mr. Keith Tay Ah Kee	Independent Director	NC member
Mr. Roger Chia Kim Piow	Executive Chairman & Managing Director	NC member

The terms of reference for NC are in line with the guidelines of the Code and the key objectives of the NC are to (i) review the Board structure, size and composition, (ii) deciding whether or not a director is able to and has been adequately carrying out his/her duties as a director of the Company, particularly when he/she has multiple board representations, and/or other principal commitments, (iii) make recommendations to the Board on the appointment, re-nomination and retirement of Directors, (iv) review the independence of Directors, (v) assist the Board in evaluating the performance of the Board and Board Committees, and (vi) develop and review the Company's corporate governance practices including recommending to the Board comprehensive induction training programmes for new directors and reviewing training and professional development programmes for the Board to keep the Board apprised of relevant new laws, regulations and changing commercial risks.

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 fulfil 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 will consider the performance and contribution of each of the retiring Directors, having regard not only to their attendance and participation at Board and Board Committees' 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. Such performance criteria were approved by the Board and do not change from year to 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 remain independent and carry out their duties objectively. The review included but was not limited to the completion of a questionnaire of their independence on (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 judgement to bear in the discharge of his duties as a Board member and Committee member. The questionnaire was completed by each Director (other than the Director concerned). The Board concurred with the NC's view that they are independent in character and judgement and there were no circumstances which would likely affect or appear to affect their judgement. 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.

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

CODE OF
CORPORATE GOVERNANCE

Information on Directors' age, position, date of initial appointment, date of last re-election and directorships/chairmanships held by the Company's Directors in other listed companies are listed below.

Director[1]	Age	Position	Date of Initial Appointment	Date of Last Re-election	Directorships in other listed companies	
					Current	Past 3 Years
Roger Chia Kim Piow	68	Executive Chairman & Managing Director	02-Dec-1980	N.A.	–	–
Chia Kim Chua	66	Executive Director	01-Mar-1982	17-Apr-2015	–	–
Jenny Wong Oi Moi	62	Non-Executive Director	04-May-1983	17-Apr-2015	–	–
Badri Narayanan Santhana Krishnan	37	Non-Executive Director	22-Sep-2008	21-Apr-2016	–	–
Lam Khin Khui	68	Independent Director	01-Feb-1993	21-Apr-2016	–	–
Keith Tay Ah Kee	72	Independent Director	01-Feb-1993	21-Apr-2016	AMVIG Holdings Limited (listed on The Stock Exchange of Hong Kong Limited)	SATS Ltd Singapore Reinsurance Corporation Limited F J Benjamin Holdings Ltd Singapore Post Limited YTL Starhill Global REIT Management Limited

(1) The principal commitment of the Directors, if any, is set out in the "Board of Directors" section in this Annual Report

Pursuant to Article 107 of the Company's Constitution, 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 Annual General Meeting ("AGM"). The Managing Director of the Company is not subject to retirement pursuant to the Company's Constitution.

The NC has recommended the re-election of Mr. Chia Kim Chua and Madam Jenny Wong Oi Moi who are retiring pursuant to Article 107 of the Company's Constitution at the forthcoming AGM.

REMUNERATION COMMITTEE

Principles 7, 8 and 9

The terms of reference of the RC provide that the RC shall comprise at least three Directors, all of whom shall be Non-Executive Directors, and the majority of whom, including the RC Chairman, shall be independent. The composition of the RC of the Company is as follows:–

Mr. Lam Khin Khui	Independent Director	RC Chairman
Mr. Keith Tay Ah Kee	Independent Director	RC member
Mr. Badri Narayanan Santhana Krishnan	Non-Executive and Non-Independent Director	RC member

The terms of reference for RC are in line with the guidelines of the Code. The key objectives of the RC are 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 key management personnel.

In setting remuneration packages for Directors and key management personnel 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. For FY2016, the performance conditions were met.

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 RC will review the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC also aim to be fair and avoid rewarding poor performance.

The Company does not have any contractual provisions which allows it to reclaim incentive components of remuneration from Executive Directors and/or key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company as such provisions may have a negative impact on attracting and retaining talent in the Company.

CODE OF
CORPORATE GOVERNANCE

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 Non-Executive Directors are not over-compensated to the extent that their independence is compromised. The RC would consider, if necessary, implementing schemes to encourage Non-Executive Directors to hold shares in the Company so as to better align the interests of such Non-Executive Directors with the interests of Shareholders.

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

Presently, the Company does not have any share option or long term incentive scheme in place. The RC, when required, has access to expert advice, both within and outside the Company. No remuneration consultant was appointed during the year.

The Directors' annual fees, subject to approval at the forthcoming AGM, 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.

Directors of Company	Fees $'000	Salary %	Bonus %	Other Benefits %	Total %	Total $'000
Executive Directors						
Roger Chia Kim Piow	–	14	85	1	100	5,193
Chia Kim Chua	–	29	66	5	100	1,270
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	34	64	2	100
$250,000 to below $500,000				
Leong Sook Han	74	23	3	100
Koh Chun Peng	64	19	17	100
Ramu Baskar	59	21	20	100
Chia Kim Hung	82	18	–	100

The total remuneration paid to the top five key management personnel (who are not Directors or the CEO) is $2,030,000.

For FY2016, there were no termination, retirement and post-employment benefits granted to Directors and the top five key management personnel (who are not Directors or the CEO).

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
$250,000 to below $500,000	
Chia Kim Hung (Country Director of the Company in Saudi Arabia)	• Brother of Mr. Roger Chia Kim Piow (Executive Chairman & Managing Director and substantial shareholder) and Mr. Chia Kim Chua (Executive Director) • Brother-in-law of Madam Jenny Wong Oi Moi (Non-Executive Director and substantial shareholder)

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. In presenting the annual financial statements and quarterly announcements to Shareholders, the Board aims to provide Shareholders with a balanced and clear assessment of the Group's financial performance, position and prospects. The Board approves the results and authorizes the release of the results to Singapore Exchange Securities Trading Limited ("SGX-ST") and the public via SGXNET.

For the financial year under review, the Executive Chairman & Managing Director and the CFO have provided assurance to the Board on the integrity of the Company's financial statements. For interim financial statements, the Board provides a statement of negative assurance to Shareholders, in line with the SGX-ST listing rules.

The Company has also procured undertakings from all its Directors and Executive Officers in compliance with Rule 720(1) of the SGX-ST Listing Manual.

CODE OF CORPORATE GOVERNANCE

AUDIT COMMITTEE

Principle 12

The terms of reference of the AC provide that the AC shall comprise at least three Directors, all of whom shall be Non-Executive Directors, and a majority of whom, including the AC Chairman, shall be independent. The composition of the AC of the Company is as follows: –

Mr. Keith Tay Ah Kee	Independent Director	AC Chairman
Mr. Lam Khin Khui	Independent Director	AC member
Mr. Badri Narayanan Santhana Krishnan	Non-Executive and Non-Independent Director	AC member

The Chairman is a qualified accountant while Mr. Badri Narayanan is a qualified financial analyst. None of the AC members were former partners or directors of the Company's External Auditors, Ernst & Young LLP, within the last twelve months or hold any financial interest in the External Auditors.

The terms of reference for AC are in line with the guidelines of the Code and the key objectives of the AC are to review 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 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 judgements 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. The AC also 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 AC has the explicit authority to investigate any matter within its terms of reference. The AC has full access to and co-operation by Management and also full discretion to invite any Director or Executive Officer to attend its meetings and has access to various resources, including external consultants, to enable it to discharge its responsibilities properly.

The AC meets with the Group's External Auditors and Management to review accounting, auditing and financial reporting matters and reviewed the Internal Auditors' Report so as to ensure that an effective system of control is maintained in the Group. For FY2016, the AC has met 4 times and:

(i) met with the External Auditors without the presence of Management, at least once a year. The External Auditors had confirmed that they had received the full co-operation of Management and no restrictions were placed on the scope of their audit;

(ii) conducted a review of the non-audit services provided by the External Auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the External Auditors as well as the cost effectiveness of the audit before confirming their re-nomination. The following fees amounting to S$348,000 were approved:

Audit fees	S$311,000
Non-Audit fees	S$37,000

The External Auditors had also confirmed their independence in this respect;

(iii) considered the experience and suitability of the External Auditors and confirmed that it has complied with Rules 712 and 715 of the Listing Manual issued by the SGX-ST in relation to the appointment of Ernst & Young LLP as the Group's auditors.

The AC had assessed and concluded that Ernst & Young LLP has fulfilled its responsibilities as External Auditors. The Board concurred with the AC's endorsement and will recommend to Shareholders at the forthcoming AGM the re-appointment of Ernst & Young LLP as the Company's Auditors.

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

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, if any, 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 allows 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.

AC's commentary on Key Audit Matters

In identifying the key audit matters, the AC and External Auditors had deliberated on the key audit matters and their disclosures. Having considered these key audit matters and their disclosures, the AC concurred with the External Auditors on the approach and methodology applied to each of the key audit matter and its disclosure as set out under the Independent Auditor's Report on pages 59 to 61 of the Annual Report.

CODE OF CORPORATE GOVERNANCE

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 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 adequacy and 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 Executive Chairman & Managing Director and CFO that as at 31 December 2016:

(a) the financial records of the Group have been properly maintained and the financial statements for the financial year ended 31 December 2016 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 2016, 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 Auditors 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 controls and risk management systems were adequate and effective as at 31 December 2016 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 by persons of relevant qualifications and experience, supplemented by outsourcing of certain specialist functions. The internal audit function is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC reviews its adequacy and effectiveness each year. The AC has reviewed the internal audit functions annually and is satisfied that it has the appropriate standing and resources to perform its functions effectively and objectively. The Internal Auditors report 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

To facilitate Shareholders' ownership rights, all Shareholders are treated fairly and equally and the Company ensures that all material and price sensitive information which may affect the price or value of the Company's shares is promptly disseminated on a comprehensive, accurate and timely basis 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. The Company does not practice selective disclosure, and in the event of any inadvertent disclosure is made to a select group, the Company will make the same disclosure publicly to all others as promptly as possible.

Any notice of a general meeting is issued at least 14 days before the meeting for ordinary resolutions and at least 21 days before the meeting for special resolutions. The notice of the AGM is despatched to Shareholders, together with explanatory notes and a letter to Shareholders on the proposed renewal of Share Buy-back Mandate. There are separate resolutions on each distinct issue at the general meetings. Shareholders may vote in person or in absentia by way of proxy forms deposited, in person or by mail, at the registered address of the Company at least 48 hours before the meetings.

CODE OF CORPORATE GOVERNANCE

All Shareholders of the Group receive the Annual Report and notice of AGM. The AGM is the principal forum for dialogue with Shareholders.

Shareholders are entitled to attend and vote at the general meetings of Shareholders. Shareholders are also informed of the rules, including the voting procedures that govern the general meetings of Shareholders. Under the Company's Constitution, a registered shareholder may appoint up to two proxies to attend AGM to speak and vote in place of that shareholder. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold SGX shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each AGM.

At each AGM, Shareholders were invited to actively participate in the question-and-answer session. The Company Secretary(ies) record(s) minutes of every AGM and the minutes will be made available to the Shareholders upon their request.

All Directors including all chairpersons of the AC, NC and RC 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. The Company represented by the CFO, together with representative from the IR firm, meets with institutional and retail investors regularly. Media, analysts, investors and Shareholders may also contact the representatives of Waterbrooks Consultants Pte Ltd and the CFO on any investor relations matters; their contact details are set out in the Company's media released to the SGX-ST. Alternatively, media, analysts, investors and Shareholders may also email the Company at investor@rotaryeng.com.sg.

The Company would conduct its votings in general meetings by electronic poll where Shareholders are accorded rights proportionate to the shareholding and all votes are counted, and the detailed results showing the number of votes cast for and against each resolution and the respective percentages are announced after the AGM. The Board believes that this will enhance transparency of the voting process and encourage greater shareholder participation.

The Company does not have a policy on payments of dividends. The form, frequency and amount of dividends declared each year will take into consideration the group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavours to pay dividend and where dividends are not paid, the Company will disclose its reason(s) accordingly. 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 0.5 cent per ordinary share for the financial year ended 31 December 2016.

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 regards 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 results or two weeks before quarterly results and ending on the date of the announcement of such results. In addition, Directors are required to notify the Company of any dealings in the Company's securities (outside the applicable closed window period mentioned above) within two (2) business days of the transactions.

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

MATERIAL CONTRACTS

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

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out at arm's length and under normal commercial terms. There were no reportable interested person transactions for the financial year ended 31 December 2016.

DIRECTORS' **STATEMENT**

The directors are pleased to present their statement 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 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and 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.

DIRECTORS

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

Roger Chia Kim Piow (Executive 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	28,085,916	28,085,916	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	193,536,548	193,536,548
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 2017.

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 at the end of the financial year.

SHARE OPTIONS

During the financial year, there were:

(i) no options granted by the Company or its subsidiaries to any person to take up unissued shares in the Company or its subsidiaries; and

(ii) no shares issued by virtue of any exercise of options to take up unissued shares of the Company or its subsidiaries.

As at the end of the financial year, there were no unissued shares of the Company or its subsidiaries under option.

DIRECTORS' **STATEMENT**

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, approved 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.

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 the 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.

DIRECTORS' **STATEMENT**

AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Roger Chia Kim Piow
Director

Chia Kim Chua
Director

Singapore
27 March 2017

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ROTARY ENGINEERING LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

We have audited the financial statements of Rotary Engineering Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, 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 notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (cont'd)

Revenue recognition	***Audit response***
The Group accounts for project revenue using the percentage of completion ("POC") method. The stage of completion is determined by reference to the amount of work performed estimated by the project engineers. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable. The POC method involved the use of significant judgement in determining the progress towards completion, as well as estimation of total budgeted contract costs taking into consideration the remaining costs to complete each project. Accordingly, we identified this as a key audit matter.	As part of our audit, we obtained an understanding and tested, on a sample basis, the key controls surrounding management's internal costing and budgeting process to estimate project revenues, costs and profit margins. On a sample basis, for significant projects, we reviewed the contractual terms and conditions and discussed the status of these projects, including the stage of completion, with the management. We compared management's estimates of the stage of completion to certified completion reports prepared by project engineers. We tested the actual project costs incurred by tracing them to relevant supporting documents. We reviewed the budgeted costs by checking the actual costs incurred to-date and assessed the reasonableness of the remaining costs to be incurred to complete the projects. We evaluated management's estimates of the forecasted results of the projects, taking into consideration the effect of variation orders, contingencies and any known technical issues. For a sample of ongoing projects, we evaluated management's assessment of foreseeable losses of the projects. Information regarding the Group's construction contracts are disclosed in Note 2.15 and Note 16 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ROTARY ENGINEERING LIMITED

Key Audit Matters (cont'd)

Provision for warranties	***Audit response***
As at 31 December 2016, provision for warranties amounted to \$33.2 million. The Group recognises provision for warranties for rectification works that may arise during the defect liability period of completed projects. Determining the provision for warranties requires management to exercise judgement, taking into consideration experience from past warranty claims for completed projects. The subjectivity involved in assessing the amount of provision required may have a significant impact on the results of the Group. Accordingly, we identified this as a key audit matter.	As part of our audit, we selected a sample of the projects and examined the project documentation to understand the contractual obligations of the Group for each project. We reviewed and evaluated management's assumptions for the estimation of rectification works including expected warranty costs. We tested, on a sample basis, the warranty costs recorded in respect of certain completed projects by comparing the actual warranty claims incurred to-date against the provisions made. We also assessed the mathematical accuracy of the provision calculation. Information regarding the Group's warranty provisions are disclosed in Note 2.17 to the consolidated financial statements.
Recoverability of trade and other receivables and loan receivables	***Audit response***
The gross balance of trade and other receivables amounted to \$107.0 million as at 31 December 2016, against which allowance for doubtful debts of \$1.2 million was made. Total loan receivables as at 31 December 2016 amounted to \$30.0 million. The collectability of receivables is a key element of the Group's working capital management, which is managed on an ongoing basis. The assessment of recoverability of these receivables requires significant management judgement in assessing the other parties' ability to pay, which in turn will have an impact on the carrying amounts of the Group's receivables. Accordingly, we identified this as a key audit matter.	We evaluated the Group's processes and controls relating to the monitoring of receivables and review of the credit risks of customers. Our audit procedures included, amongst others, evaluating management's assessment of the credit review procedures of trade and other receivables and loan receivables, sending requests for confirmation and obtaining evidence of receipts after the year end. We also evaluated management's assumptions used to determine the receivables' impairment amount through the analysis of ageing of receivables, assessment of material overdue individual receivables and specific local risks. Information regarding the Group's trade and other receivables and loan receivables and the related risks such as credit risk and liquidity risk are disclosed in Notes 27(a) and 27(b) to the consolidated financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors 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 Act and FRSs, 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 financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ROTARY ENGINEERING LIMITED

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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 subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Mak Keat Meng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
27 March 2017

CONSOLIDATED
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000
Revenue	5	**233,869**	329,274
Cost of sales		**(176,788)**	(249,521)
Gross profit		**57,081**	79,753
Other items of income			
Other income		**4,755**	14,589
Finance income		**3,447**	4,234
Foreign exchange differences		**3,854**	8,088
Other items of expense			
Selling and marketing costs		**(1,001)**	(1,074)
General and administrative costs		**(43,361)**	(46,676)
Other operating costs		**(10,599)**	(9,966)
Finance costs		**(494)**	(415)
Share of results of associates		**(439)**	(583)
Profit before tax	6	**13,243**	47,950
Income tax expense	7	**(1,400)**	(2,886)
Profit for the year		**11,843**	45,064
Profit for the year attributable to:			
Owners of the Company		**11,353**	42,779
Non-controlling interests		**490**	2,285
		11,843	45,064
Earnings per share attributable to owners of the Company (cents per share)			
Basic	8	**2.0**	7.5
Diluted	8	**2.0**	7.5

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 2016

	Group	
	2016	**2015**
	$'000	$'000
Profit for the year	**11,843**	45,064
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation movement	**(1,670)**	(4,887)
Other comprehensive income for the year, net of tax	**(1,670)**	(4,887)
Total comprehensive income for the year	**10,173**	40,177
Total comprehensive income attributable to:		
Owners of the Company	**12,684**	46,928
Non-controlling interests	**(2,511)**	(6,751)
	10,173	40,177

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

BALANCE SHEETS

AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Non-current assets					
Property, plant and equipment	9	**64,897**	43,040	**10,275**	8,707
Intangible assets	10	**244**	840	**129**	607
Investments					
Subsidiaries	11	**–**	–	**50,829**	50,879
Associates	12	**22,027**	14,218	**12,527**	12,527
Others	13	**29,270**	31,071	**895**	895
Deferred tax assets	14	**747**	1,022	**–**	–
Prepaid loan appraisal fees		**–**	96	**–**	–
		117,185	90,287	**74,655**	73,615
Current assets					
Gross amount due from customers for contract work-in-progress	16	**26,427**	23,784	**995**	5,209
Inventories	17	**6,527**	5,647	**469**	495
Other investments	13	**9,201**	–	**6,006**	–
Prepaid operating expenses		**743**	508	**24**	195
Downpayments made to suppliers		**1,654**	2,028	**787**	1,102
Trade and other receivables	15	**105,829**	109,367	**186,113**	214,658
Foreign currency contracts	18	**140**	–	**51**	–
Cash and cash equivalents	19	**86,021**	118,215	**29,139**	60,062
		236,542	259,549	**223,584**	281,721
Current liabilities					
Income tax payable		**9,656**	9,705	**3,751**	3,974
Loans and borrowings	20	**6,332**	2,804	**3,226**	50
Gross amount due to customers for contract work-in-progress	16	**22,270**	72,255	**32,059**	53,618
Trade and other payables	21	**130,487**	93,487	**95,387**	107,870
Downpayments from customers		**5,353**	9,393	**971**	1,449
Foreign currency contracts	18	**465**	339	**465**	339
		174,563	187,983	**135,859**	167,300
Net current assets		**61,979**	71,566	**87,725**	114,421
Non-current liabilities					
Deferred tax liabilities	14	**1,906**	2,020	**1,255**	1,255
Loans and borrowings	20	**14,888**	6,752	**11,178**	93
		16,794	8,772	**12,433**	1,348
Net assets		**162,370**	153,081	**149,947**	186,688

BALANCE
SHEETS
AS AT 31 DECEMBER 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'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		**197,169**	194,329	**60,743**	97,484
Other reserves	23	**(125,775)**	5,616	**–**	–
		160,598	289,149	**149,947**	186,688
Non-controlling interests		**1,772**	(136,068)	**–**	–
Total equity		**162,370**	153,081	**149,947**	186,688

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 2016

Group 2016	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Capital reserve $'000	Statutory reserve $'000	Foreign currency translation reserve $'000	Premium paid on acquisition of non-controlling interests $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2016	**89,365**	**(161)**	**194,329**	**547**	**300**	**4,769**	**–**	**289,149**	**(136,068)**	**153,081**
Profit for the year	–	–	11,353	–	–	–	–	11,353	490	11,843
Other comprehensive income for the year	–	–	–	–	–	1,331	–	1,331	(3,001)	(1,670)
Total comprehensive income for the year	–	–	11,353	–	–	1,331	–	12,684	(2,511)	10,173
<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	–	–	–	–	–	–	–	–	(800)	(800)
Total contributions by and distributions to owners	–	–	(8,513)	–	–	–	–	(8,513)	(800)	(9,313)
<u>Changes in ownership interests in subsidiaries</u>										
Liquidation of a subsidiary	–	–	–	(14)	–	–	–	(14)	–	(14)
Acquisition of control in a subsidiary	–	–	–	–	–	–	–	–	46	46
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	–	(141,105)	(141,105)	141,105	–
	–	–	–	(14)	–	–	(141,105)	(141,119)	141,151	32
<u>Contributions from owners of the associate</u>										
Share of capital reserve in associate	–	–	–	8,397	–	–	–	8,397	–	8,397
At 31 December 2016	**89,365**	**(161)**	**197,169**	**8,930**	**300**	**6,100**	**(141,105)**	**160,598**	**1,772**	**162,370**

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group 2015	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Capital reserve $'000	Statutory reserve $'000	Foreign currency translation reserve $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2015	89,365	(161)	165,738	547	300	620	256,409	(128,037)	128,372
Profit for the year	–	–	42,779	–	–	–	42,779	2,285	45,064
Other comprehensive income for the year	–	–	–	–	–	4,149	4,149	(9,036)	(4,887)
Total comprehensive income for the year	–	–	42,779	–	–	4,149	46,928	(6,751)	40,177
<u>Contributions by and distributions to owners</u>									
Dividends on ordinary shares (Note 30)	–	–	(14,188)	–	–	–	(14,188)	–	(14,188)
Dividends paid by subsidiaries to non-controlling interests	–	–	–	–	–	–	–	(1,280)	(1,280)
Total contributions by and distributions to owners	–	–	(14,188)	–	–	–	(14,188)	(1,280)	(15,468)
At 31 December 2015	89,365	(161)	194,329	547	300	4,769	289,149	(136,068)	153,081

STATEMENTS OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Total equity $'000
2016				
At 1 January 2016	**89,365**	**(161)**	**97,484**	**186,688**
Loss for the year, representing total comprehensive income for the year	**–**	**–**	**(28,228)**	**(28,228)**
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 2016	**89,365**	**(161)**	**60,743**	**149,947**
2015				
At 1 January 2015	89,365	(161)	62,780	151,984
Profit for the year, representing total comprehensive income for the year	–	–	48,892	48,892
Contributions by and distributions to owners				
Dividends on ordinary shares (Note 30)	–	–	(14,188)	(14,188)
Total transactions with owners in their capacity as owners	–	–	(14,188)	(14,188)
At 31 December 2015	89,365	(161)	97,484	186,688

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 2016

	Note	2016 $'000	2015 $'000
Operating activities			
Profit before tax		**13,243**	47,950
Adjustments for:			
Allowance for doubtful debts		**749**	–
Amortisation of intangible assets	10	**678**	594
Amortisation of prepaid loan appraisal fees		**96**	245
Depreciation of property, plant and equipment	9	**9,489**	9,288
Fair value gain on foreign currency contracts, net		**(14)**	(821)
Fair value loss on investment in debt securities, net		**53**	–
Finance income		**(3,447)**	(4,234)
Gain on liquidation of a subsidiary		**(14)**	–
Gain on disposal of other investments	13	**–**	(3,000)
Gain on disposal of partial interest in associate	12	**–**	(76)
Gain on disposal of property, plant and equipment		**(1,478)**	(270)
Impairment of plant and equipment	9	**–**	29
Interest expense		**398**	170
Inventories written down	17	**37**	65
Write back of allowance for doubtful debts		**(407)**	(6)
Write back of impairment loss of an associate	12	**–**	(6,816)
Write back of inventories previously written down		**–**	(4)
Share of results of associates		**439**	583
Operating cash flows before changes in working capital		**19,822**	43,697
(Increase)/Decrease in:			
Prepaid operating expenses, downpayments made to suppliers and trade and other receivables		**2,837**	94,638
Inventories		**(896)**	(1,855)
Increase/(Decrease) in:			
Trade and other payables and downpayments from customers		**31,603**	(80,707)
Gross amount due to customers for contract work-in-progress, net		**(52,893)**	(77,643)
Cash flows from/(used in) operations		**473**	(21,870)
Interest received		**155**	368
Interest paid		**(398)**	(170)
Income tax paid		**(1,248)**	(9,170)
Net cash flows used in operating activities		**(1,018)**	(30,842)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $'000	2015 $'000
Investing activities			
Additions to intangible assets	10	**(82)**	(237)
Additional investment in associate		**(82)**	–
Dividends from associates		**–**	943
Net cash inflow from change in control in a subsidiary	11(e)	**139**	–
Proceeds from disposal of associate		**–**	411
Proceeds from disposal of other investments		**–**	3,000
Proceeds from disposal of property, plant and equipment		**1,104**	331
Purchase of investment securities		**(6,764)**	–
Purchase of property, plant and equipment	9	**(26,318)**	(3,213)
(Loan to)/repayment from associate		**(1,133)**	7,040
Net cash flows (used in)/from investing activities		**(33,136)**	8,275
Financing activities			
Dividends paid:			
– by the Company	30	**(8,513)**	(14,188)
– by subsidiaries to non-controlling interests		**(800)**	(1,280)
Proceeds from bank loans		**14,851**	–
Repayment of bank loans		**(4,226)**	(2,389)
Repayment of finance lease obligations		**(39)**	(3)
Net cash flows from/(used in) financing activities		**1,273**	(17,860)
Net decrease in cash and cash equivalents		**(32,881)**	(40,427)
Effect of exchange rate changes on cash and cash equivalents		**687**	1,585
Cash and cash equivalents at 1 January		**118,215**	157,057
Cash and cash equivalents at 31 December	19	**86,021**	118,215

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 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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

2.3 *Standards issued but not yet effective*

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined **
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to FRSs issued in December 2016	
(a) FRS 112 *Disclosure of Interests in Other Entities: Clarification of the scope of the Standard*	1 January 2017
(b) FRS 28 *Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
Amendments to FRS 104 *Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
FRS 116 *Leases*	1 January 2019

** The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the ASC in Dec 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28.

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

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

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During 2016, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in a business of providing engineering design, procurement and construction services for plant and associated facilities.

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

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

FRS 115 *Revenue from Contracts with Customers* *(cont'd)*

The Group expects the following impact upon adoption of FRS 115:

(a) ***Variable consideration***

Some contracts with customers provide a right of return, trade discounts or volume rebates. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under FRS 115, and will be required to be estimated at contract inception. FRS 115 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint.

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

– For completed contracts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.

– For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods; and

– For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:

    o identifying the satisfied and unsatisfied performance obligations;
    o determining the transaction price; and
    o allocating the transaction price to the satisfied and unsatisfied performance obligations.

– For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2016

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

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

FRS 115 *Revenue from Contracts with Customers* *(cont'd)*

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

(a) ***Classification and measurement***

For equity and debt securities, the Group will continue to measure its currently held for trading securities and available-for-sale quoted equity securities at fair value through profit or loss (FVTPL). The Group does not expect any significant impact arising from these changes. The Group will elect to measure its available-for-sale unquoted equity securities at fair value through other comprehensive income (FVOCI). In addition, the Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount under FRS 39 and the fair value would be recognised in the opening retained earnings when the Group applies FRS 109.

(b) ***Impairment***

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

Transition

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

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

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

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

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 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.

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 control 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.

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

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

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 *Transactions with non-controlling interests*

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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.

(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.

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

2.6 *Foreign currency (cont'd)*

(b) *Consolidated financial statements (cont'd)*

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.

2.7 *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 and buildings	–	over period of the lease of 20 to 99 years
Vessels	–	5 to 30 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.

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

2.7 *Property, plant and equipment (cont'd)*

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.

2.8 *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 de-recognised.

Software

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

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

2.9 *Impairment of non-financial assets*

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

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

NOTES TO THE FINANCIAL STATEMENTS

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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 de-recognised 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.

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

2.12 *Financial instruments (cont'd)*

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

Subsequent measurement (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.

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

2.12 *Financial instruments (cont'd)*

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

Subsequent measurement

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

(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.

(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 de-recognised, 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 offsetted 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.

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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.

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 for 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.

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

2.15 *Construction contracts (cont'd)*

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.

2.16 *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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 *Provisions*

General

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 economic resources 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.

Provision for warranties

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

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 *Financial guarantee*

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

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

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

2.20 *Employee benefits*

(a) *Defined contribution plans*

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

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they 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.

2.21 *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 in which the Group does not transfer 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)

2.22 *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.

2.23 *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.

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

2.23 *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.

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.

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

2.23 *Taxes (cont'd)*

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

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

Deferred tax assets and deferred tax liabilities are offsetted, 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.

2.24 *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.

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

2.25 *Treasury shares*

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

2.26 *Contingencies*

A contingent liability is:

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

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

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

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

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

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

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

2.27 *Related parties*

A related party is defined as follows:

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

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

(ii) Has significant influence over the Company; or

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

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

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

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

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

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

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

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

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

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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*

Income 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 2016 is disclosed in Note 14 to the financial statements.

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

3.2 *Key sources of estimation uncertainty*

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

(a) ***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 have 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.

(b) ***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 2.0% (2015: 3.0%).

(c) ***Provision for warranties***

The Group recognises provision for rectification works that may arise during the defect liability period on completed projects. Determining the level of provision requires the Group to exercise judgements, taking into consideration the experience from past warranty claims for completed projects. The carrying amounts of the Group's and Company's provision for warranties are disclosed in Note 21 to the financial statements.

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4. GROUP COMPANIES

The subsidiaries and associates at 31 December 2016 and 2015 are:

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2016	2015
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
Rotary-Thai Construction Pte. Ltd.[1] (Singapore)	Contractor in engineering and scaffolding works	**100.0**	100.0
Rotary IMC Pte. Ltd. [1] (Singapore)	Provision of integrated maintenance services	**100.0**	100.0
Supermec Private Limited [1] (Singapore)	Insurance broker and electrical and engineering material traders	**60.0**	60.0
Rotary BNC Pte. Ltd. [1] (Singapore)	Engineering design, procurement and construction services for plants and associated facilities	**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 [6] (Singapore)	Trading of medical products and equipment	**99.7**	99.7
Roil Pte. Ltd. [1] (Singapore)	Ship leasing and cargo vessel operator	**100.0**	100.0
Oro Storage Asset Management Pte. Ltd. [1] (Singapore)	Investment holding	**100.0**	100.0
ShopGlobal Pte. Ltd. [1] (Singapore)	Investment holding	**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 2016	2015
Subsidiaries held by the Company (cont'd):			
BuildGlobal Pte. Ltd. (1) (Singapore)	Investment holding	**100.0**	100.0
Rotary Logistics Pte. Ltd. (4) (Singapore)	Dormant	**100.0**	100.0
Roil Shipping Pte. Ltd. (formerly known as Rotary Automation Pte. Ltd.) (1) (Singapore)	Vessel charter	**100.0**	100.0
Rotary Electrical Company (Private) Limited (1) (Singapore)	Engineering design, installation and repair services	**100.0**	100.0
Rotary (APAC) Offshore Pte. Ltd. (4) (Singapore)	Dormant	**100.0**	100.0
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 International Trading (Shanghai) Co., Ltd. (7) (People's Republic of China)	Construction and engineering related materials and equipment as well as provision of trading agency and services	**–**	100.0
Fushun Rotary Engineering Co Ltd (4) (People's Republic of China)	Dormant	**90.0**	90.0
P.T. Rotary Engineering Indonesia (2)(a) (Indonesia)	Steel fabrication and construction	**100.0**	100.0
P.T. Rotary MECOM (4) (Indonesia)	Dormant	**70.0**	70.0

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4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2016	2015
Subsidiaries held by the Company (cont'd):			
Rotary MEC Engineering (India) Private Limited (2)(b) (India)	Dormant	**100.0**	100.0
Singlobal (M) Sdn. Bhd. (2)(c) (Malaysia)	Engineering design, procurement and construction services for plants and associated facilities	**100.0**	100.0
Petrol Steel Company Limited (3)(8) (Saudi Arabia)	Engineering, procurement and construction services for storage tanks of oil and gas, petroleum and petrochemical plants	**98.0**	51.0
Rotary Arabia Company Limited (3)(8) (Saudi Arabia)	Construction works, maintenance and providing professionals and engineers in relation to engineering, procurement, construction and commissioning of the refinery tanks	**98.0**	51.0
Rotary Engineering Fujairah FZE (3) (United Arab Emirates)	Engineering, procurement and construction services for storage tanks of oil and gas, petroleum and petrochemical plants	**100.0**	100.0
Rotary Developments Company Limited (4)(9) (Vietnam)	Business development activities in Vietnam	**100.0**	–
Rotary Engineering Vietnam Company Limited (4)(9) (Vietnam)	Provision of engineering, procurement and construction services	**100.0**	–

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2016	2015
Held by subsidiaries:			
P.T. Rotary Engineering South East Asia [2][d] (Indonesia)	Engineering design, procurement and construction services for plants and associated facilities	**95.0**	95.0
P.T. Marino Logistics [2][d][10] (Indonesia)	Ship owning and provision of marine transportation services	**49.0**	–
Oro Storage (HK) Limited [2][e] (Hong Kong SAR)	Trading of construction material and equipment, oil and gas product	**100.0**	100.0
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 Middle East FZE [4] (United Arab Emirates)	Trade and sale of electrical distribution and control apparatus, lighting, equipment, machinery and industrial equipment	**60.0**	–
Supermec (M) Sdn. Bhd. [2][g] (Malaysia)	Trading in electrical and engineering materials	**60.0**	60.0
Supermec Proizvodnja in Prodaja Elektronike d.o.o. [4] (Slovenia)	Manufacturing and sale of electrical distribution and control apparatus, lighting, equipment, machinery and industrial equipment	**60.0**	60.0

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4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2016	2015
Held by subsidiaries (cont'd):			
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)	Dormant	**100.0**	100.0

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by other firms
- (a) Jamaludin, Ardi, Sukimto & Rekan, Indonesia
- (b) Vivek Mallya & Co., Chartered Accountants, India
- (c) Deloitte & Touche, Chartered Accountants, Malaysia
- (d) KAP Charles & Nurlena Registered Public Accountants, Indonesia
- (e) Mazars CPA Limited
- (f) Auditing and lnformatic Services Company Limited, Vietnam
- (g) W. L. Chong & Associates, Malaysia
- (h) MZSK & Associates (BDO International), 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) Not audited as the subsidiary is in the process of members' voluntary liquidation.
(7) During the financial year, the subsidiary has been liquidated pursuant to members' voluntary liquidation.
(8) During the financial year, the Company acquired additional interest in these subsidiaries without loss of control (Note 11(c)).
(9) Incorporated during the year (Note 11(d)).
(10) As at 31 December 2016, the Group obtained control over the entity (Note 11(e)).

4. GROUP COMPANIES (CONT'D)

Name of Company (Country of incorporation and place of business)	Principal activities	Proportion (%) of ownership interest 2016	2015
Associates held by the Company:			
Rotary MEC (M) Sdn. Bhd. [2][a] (Malaysia)	Engineering works	**49.0**	49.0
Jasinusa Automobile Pte. Ltd. [2][b] (Singapore)	Investment holding	**34.8**	34.8
Eastlog Holding Pte. Ltd. [1] (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
Associates held by subsidiaries:			
iPromar (Pte.) Ltd. [3] (Singapore)	Process plant engineering services	**25.0**	25.0
P.T. Marino Logistics [2][d][4] (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) BDO LLP, Singapore
  (c) Liaoning Huawei Accountant's Company Ltd, China
  (d) KAP Charles & Nurlena Registered Public Accountants, Indonesia
(3) Not required to be audited under the laws of the country of incorporation.
(4) As at 31 December 2016, the Group obtained control over the entity (Note 11(e)).

5. REVENUE

	Group 2016 $'000	Group 2015 $'000
Services	**226,725**	322,150
Sales of goods	**7,144**	7,124
	233,869	329,274

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6. PROFIT BEFORE TAX

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

	Group	
	2016	**2015**
	$'000	$'000
Other income		
Gain on disposal of partial interest in associate (Note 12)	**–**	76
Gain on liquidation of a subsidiary	**14**	–
Gain on disposal of other investments (Note 13)	**–**	3,000
Gain on disposal of property, plant and equipment	**1,478**	270
Government grants	**992**	829
Investment income	**–**	965
Sales of scrap	**1,064**	2,163
Write back of impairment loss of an associate (Note 12)	**–**	6,816
Others	**1,207**	470
Audit fees paid to:		
– Auditor of the Company	**(180)**	(204)
– Other auditors	**(182)**	(195)
Non-audit fees paid to:		
– Auditor of the Company	**(11)**	(11)
– Other auditors	**(40)**	(152)
Allowance for doubtful debts	**(749)**	–
Amortisation of intangible assets (Note 10)	**(678)**	(594)
Amortisation of prepaid loan appraisal fees	**(96)**	(245)
Depreciation of property, plant and equipment (Note 9)	**(9,489)**	(9,288)
Employee benefits expense (including executive directors):		
– Salaries, bonuses and other benefits	**(79,541)**	(91,549)
– Central Provident Fund contributions	**(3,511)**	(3,780)
– Other short-term benefits	**(16,036)**	(20,865)
Fair value gain on foreign currency contracts, net	**14**	821
Fair value loss on investment in debt securities, net	**(53)**	–
Impairment of plant and equipment (Note 9)	**–**	(29)
Interest expense on loans and borrowings (excluding finance charges)	**(398)**	(170)
Inventories written down (Note 17)	**(37)**	(65)
Write back of allowance for doubtful debts	**407**	6

Government grants relates mainly to amounts received from Wage Credit Scheme (WCS), Temporary Employment Credit (TEC) and Special Employment Credit (SEC) by the Singapore government to local companies.

7. INCOME TAX EXPENSE

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group 2016 $'000	Group 2015 $'000
Consolidated income statement:		
Current income tax		
– Current year		
Singapore	**(2,269)**	(1,407)
Foreign	**(172)**	(2,512)
	(2,441)	(3,919)
– Overprovision in respect of previous years	**1,239**	933
	(1,202)	(2,986)
Deferred income tax		
– Origination and reversal of temporary differences	**(198)**	100
Income tax expense recognised in profit or loss	**(1,400)**	(2,886)

(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 2016 and 2015 is as follows:

	Group 2016 $'000	Group 2015 $'000
Profit before tax	**13,243**	47,950
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(1,056)**	(2,308)
Adjustments:		
Non-deductible expenses	**(1,615)**	(1,488)
Income not subject to taxation	**1,290**	2,185
Effect of Development & Expansion Incentive on qualifying transactions	**2,364**	271
Effect of partial tax exemption and tax relief	**784**	524
Deferred tax assets not recognised	**(3,992)**	(2,958)
Overprovision in respect of previous years	**1,239**	933
Share of results of associates	**(414)**	(45)
Income tax expense recognised in profit or loss	**(1,400)**	(2,886)

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7. INCOME TAX EXPENSE (CONT'D)

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

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

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 2019. 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% (2015: 17%).

Kingdom of Saudi Arabia

The tax rate applicable in Saudi Arabia was 20% (2015: 20%).

United Arab Emirates, Fujairah

The Company has a subsidiary which is a registered establishment with the Fujairah Free Zone Authority of the United Arab Emirates 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 $11,353,000 (2015: $42,779,000) by the weighted average number of ordinary shares outstanding during the financial year of 567,518,000 (2015: 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 and buildings	Office renovations	Office equipment, furniture and fittings	Motor vehicles	Plant and machinery	Vessels	Other assets	Construction-in-progress	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost:										
At 1 January 2015	2,020	47,229	2,822	15,509	9,895	61,290	–	15,438	274	154,477
Additions	297	763	18	327	796	718	–	114	323	3,356
Disposals	–	–	(15)	(257)	(579)	(717)	–	(193)	–	(1,761)
Reclassification	–	–	–	–	–	4	–	–	(4)	–
Currency realignment	(22)	691	22	100	109	1,509	–	16	(8)	2,417
At 31 December 2015 and 1 January 2016	**2,295**	**48,683**	**2,847**	**15,679**	**10,221**	**62,804**	**–**	**15,375**	**585**	**158,489**
Additions	**–**	**–**	**23**	**281**	**786**	**649**	**22,215**	**232**	**2,132**	**26,318**
Disposals	**–**	**(901)**	**–**	**(194)**	**(223)**	**(2,245)**	**–**	**(103)**	**–**	**(3,666)**
Acquisition of control in a subsidiary (Note 11(e))	**–**	**–**	**–**	**–**	**–**	**–**	**6,264**	**–**	**–**	**6,264**
Reclassification	**–**	**32**	**–**	**(64)**	**–**	**5,703**	**–**	**(5,074)**	**(597)**	**–**
Currency realignment	**24**	**620**	**7**	**92**	**63**	**1,266**	**–**	**292**	**18**	**2,382**
At 31 December 2016	**2,319**	**48,434**	**2,877**	**15,794**	**10,847**	**68,177**	**28,479**	**10,722**	**2,138**	**189,787**
Accumulated depreciation and impairment loss:										
At 1 January 2015	–	19,172	2,034	14,392	7,944	50,218	–	12,328	–	106,088
Depreciation charge for the year	–	1,521	240	757	700	5,002	–	1,068	–	9,288
Disposals	–	–	(15)	(250)	(568)	(675)	–	(192)	–	(1,700)
Impairment	–	–	–	(3)	–	(26)	–	–	–	(29)
Currency realignment	–	29	19	97	93	1,544	–	20	–	1,802
At 31 December 2015 and 1 January 2016	**–**	**20,722**	**2,278**	**14,993**	**8,169**	**56,063**	**–**	**13,224**	**–**	**115,449**
Depreciation charge for the year	**–**	**1,505**	**205**	**193**	**720**	**3,887**	**2,615**	**364**	**–**	**9,489**
Disposals	**–**	**(419)**	**–**	**(160)**	**(160)**	**(2,241)**	**–**	**(63)**	**–**	**(3,043)**
Acquisition of control in a subsidiary (Note 11(e))	**–**	**–**	**–**	**–**	**–**	**–**	**1,020**	**–**	**–**	**1,020**
Reclassification	**–**	**–**	**6**	**(90)**	**–**	**3,893**	**–**	**(3,809)**	**–**	**–**
Currency realignment	**–**	**292**	**8**	**89**	**61**	**1,210**	**44**	**271**	**–**	**1,975**
At 31 December 2016	**–**	**22,100**	**2,497**	**15,025**	**8,790**	**62,812**	**3,679**	**9,987**	**–**	**124,890**
Net carrying amount:										
At 31 December 2016	**2,319**	**26,334**	**380**	**769**	**2,057**	**5,365**	**24,800**	**735**	**2,138**	**64,897**
At 31 December 2015	2,295	27,961	569	686	2,052	6,741	–	2,151	585	43,040

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

Company	Leasehold land and 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
Cost:								
At 1 January 2015	10,304	1,742	10,217	1,087	3,797	2,296	–	29,443
Additions	763	12	144	492	46	14	–	1,471
Disposals	–	–	(156)	(235)	–	–	–	(391)
At 31 December 2015 and 1 January 2016	**11,067**	**1,754**	**10,205**	**1,344**	**3,843**	**2,310**	**–**	**30,523**
Additions	**–**	**9**	**72**	**23**	**6**	**52**	**2,221**	**2,383**
Disposals	**–**	**–**	**(82)**	**(116)**	**(124)**	**–**	**–**	**(322)**
At 31 December 2016	**11,067**	**1,763**	**10,195**	**1,251**	**3,725**	**2,362**	**2,221**	**32,584**
Accumulated depreciation:								
At 1 January 2015	4,328	1,100	9,717	460	2,977	2,279	–	20,861
Depreciation charge for the year	214	172	443	181	295	11	–	1,316
Disposals	–	–	(153)	(208)	–	–	–	(361)
At 31 December 2015 and 1 January 2016	**4,542**	**1,272**	**10,007**	**433**	**3,272**	**2,290**	**–**	**21,816**
Depreciation charge for the year	**213**	**161**	**271**	**238**	**195**	**25**	**–**	**1,103**
Disposals	**–**	**–**	**(436)**	**(52)**	**(122)**	**–**	**–**	**(610)**
At 31 December 2016	**4,755**	**1,433**	**9,842**	**619**	**3,345**	**2,315**	**–**	**22,309**
Net carrying amount:								
At 31 December 2016	**6,312**	**330**	**353**	**632**	**380**	**47**	**2,221**	**10,275**
At 31 December 2015	6,525	482	198	911	571	20	–	8,707

(a) During the previous financial year, the Group acquired property, plant and equipment with an aggregate cost of $492,000 by means of finance lease. The cash outflow on acquisition of property, plant and equipment amounted to $26,318,000 (2015: $3,213,000).

The carrying amount of fixed assets held under finance leases at the end of the reporting period was $387,000 (2015: $478,000).

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

(b) Leasehold building of a subsidiary with a carrying amount of $10,217,000 (2015: $10,422,000) are mortgaged to secure the subsidiary's bank loan (Note 20).

(c) As at 31 December 2016, a vessel with net carrying amount of $19,600,000 (2015: Nil) was pledged as security to secure the Company's bank loan (Note 20).

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

(d) 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 69,718 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 2016).

(iv) A freehold land with area of 63,000 sqm in Jubail, Saudi Arabia for dormitory and storage.

(v) 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).

(vi) A leasehold land with an area of 10,021 sqm in Al Hail Industrial Area – Block M – Plot No. 6 – Fujairah & limited with four boundaries for construction of fabrication shop and office.

(vii) A freehold land with an area of 4,639 sqm in Slovenia for construction of manufacturing plant.

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10. INTANGIBLE ASSETS

	Group Software $'000	Company Software $'000
Cost:		
At 1 January 2015	8,385	6,571
Additions	237	149
Disposals	(639)	–
Currency realignment	1	–
At 31 December 2015 and 1 January 2016	**7,984**	**6,720**
Additions	**82**	**24**
Disposals	**(42)**	**(42)**
Currency realignment	**20**	**–**
At 31 December 2016	**8,044**	**6,702**
Accumulated amortisation:		
At 1 January 2015	7,186	5,720
Amortisation for the year	594	393
Disposals	(639)	–
Currency realignment	3	–
At 31 December 2015 and 1 January 2016	**7,144**	**6,113**
Amortisation for the year	**678**	**502**
Disposals	**(42)**	**(42)**
Currency realignment	**20**	**–**
At 31 December 2016	**7,800**	**6,573**
Net carrying amount:		
At 31 December 2016	**244**	**129**
At 31 December 2015	840	607

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

11. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	$'000
Unquoted equity shares, at cost	**66,871**	66,921
Impairment losses	**(16,042)**	(16,042)
	50,829	50,879

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

(a) ***Interest in subsidiary with material non-controlling interest***

As at 31 December 2016, no non-controlling interest was considered individually material to the Group.

As at 31 December 2015, the following subsidiary has non-controlling interest that was material to the Group:

Petrol Steel Company Limited

	2015
	$'000
Principal place of business	Saudi Arabia
Proportion of ownership interest held by non-controlling interest	49%
Profit allocated to non-controlling interest during the reporting period	612
Accumulated non-controlling interest at the end of the reporting period	(144,975)

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 interest except as disclosed in Note 23(b).

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11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(b) *Summarised information about subsidiary with material non-controlling interest*

As at 31 December 2015, the summarised financial information before intercompany eliminations of subsidiary with material non-controlling interest are as follows:

	2015
	$'000
Summarised balance sheet	
Current:	
Assets	18,507
Liabilities	321,030
Net current liabilities	(302,523)
Non-current:	
Assets	13,315
Liabilities	6,659
Net non-current assets	6,656
Net liabilities	(295,867)
Summarised statement of comprehensive income	
Revenue	37,197
Profit before income tax	1,248
Net profit after tax	1,248
Other comprehensive income	(18,471)
Total comprehensive income	(17,223)
Other summarised information	
Net cash flows from operations	22,430
Net cash flows used in financing activities	(26,939)

(c) *Acquisition of ownership interest in subsidiaries, without loss of control*

Petrol Steel Company Limited ("PSCL")

On 30 November 2016, the Company acquired an additional 47% equity interest in PSCL from its non-controlling interest for a cash consideration of US$2. As a result of this acquisition, the Group's effective interest in PSCL increased from 51% to 98%.

The carrying value of the net liabilities of PSCL as at 30 November 2016 was $302,717,017 and the carrying value of the additional interest acquired was $142,276,998. The difference of (i) $142,277,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity (Note 23(d)).

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(c) *Acquisition of ownership interest in subsidiaries, without loss of control (cont'd)*

Rotary Arabia Company Limited ("RACL")

On 30 November 2016, the Company acquired an additional 47% equity interest in RACL from its non-controlling interest for a cash consideration of US$2. As a result of this acquisition, the Group's effective interest in RACL increased from 51% to 98%.

The carrying value of the net assets of RACL as at 30 November 2016 was $2,493,621 and the carrying value of the additional interest acquired was $1,172,002. The difference of (ii) $1,172,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Discount on acquisition of non-controlling interests" within equity (Note 23(d)).

The following summarises the effect of the change in the Group's ownership interest in PSCL and RACL on the net liabilities attributable to owners of the Company:

	$'000
Consideration paid for acquisition of non-controlling interests	*
Less: Net liabilities attributable to non-controlling interest ((i) – (ii))	**141,105**
Net liabilities attributable to owners of the Company	**(141,105)**

* less than $1,000

(d) *Incorporation of subsidiaries*

During the financial year, the Company incorporated two wholly-owned subsidiaries, Rotary Engineering Vietnam Company Limited ("REV") and Rotary Developments Company Limited ("RD"), in Vietnam with an authorised capital of US$400,000 (equivalent to $578,000) and US$300,000 (equivalent to $433,500) respectively and a paid-up share capital of US$100,000 (equivalent to $144,500) each.

During the financial year, the Group's subsidiary, Supermec Private Limited, incorporated a subsidiary, Supermec Middle East FZE ("Supermec FZE"), in United Arab Emirates with issued share capital of AED100,000 (equivalent to $37,570).

The principal activities of REV, RD and Supermec FZE are as disclosed in Note 4.

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11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) *Acquisition of control in a subsidiary*

On 31 December 2016, the Group through a wholly-owned subsidiary, obtained the financial and operational control of P.T. Marino Logistics ("PTML"), a 49% owned associate. Effective from that date, PTML became a subsidiary of the Group.

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

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

	Fair value recognised on acquisition $'000
Property, plant and equipment	**5,200**
Trade and other receivables	**26**
Cash and cash equivalents	**139**
Trade and other payables	**(5,275)**
Total identifiable net assets at fair value	**90**
Non-controlling interest measured at the non-controlling interest's proportionate share of PTML's identifiable net assets	**(46)**
	44

<u>Consideration transferred for the acquisition of PTML</u>

	$'000
Consideration paid	**–**
Fair value of equity interest in PTML held by the Group immediately before the acquisition	**44**
	44

<u>Effect of acquisition of control in PTML on cash flows of the Group</u>

	$'000
Consideration paid	**–**
Cash and cash equivalents acquired	**139**
Net cash inflow from change in control in a subsidiary	**139**

11. INVESTMENTS IN SUBSIDIARIES (CONT'D)

(e) *Acquisition of control in a subsidiary (cont'd)*

Impact of the acquisition of control on profit or loss

If the business combination had taken place at the beginning of the year, the revenue from continuing operations would have been $234,013,000 and the Group's profit from continuing operations, net of tax would have been $10,574,000.

12. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost	**24,091**	24,712	**23,966**	23,966
Impairment losses	**(7,700)**	(7,700)	**(11,439)**	(11,439)
	16,391	17,012	**12,527**	12,527
Share of post-acquisition reserves	**5,313**	(2,702)	**–**	–
Currency realignment	**323**	(92)	**–**	–
Carrying value of investments	**22,027**	14,218	**12,527**	12,527

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

In the previous years, total impairment losses of $7,700,000 and $11,439,000 had been recognised for the Group and the Company respectively, to write down the carrying value of associates as the associates have been persistently making losses. There has been no further impairment in the current year.

During the previous year, impairment of an associate $6,816,000 was written back due to a turnaround in the associate's business and financial performance.

During the previous year, the Group disposed its partial interest in Jasinusa Automobile Pte. Ltd. for an aggregate consideration of $411,000 and recognised a gain on disposal of an associate amounting to $76,000 in the "Other income" line item in the consolidated income statement.

The Group's material investments in associates are summarised below:

	Group	
	2016	**2015**
	$'000	$'000
Eastlog Holding Pte. Ltd.	**17,381**	9,084
Other associates	**4,646**	5,134
	22,027	14,218

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12. INVESTMENTS IN ASSOCIATES (CONT'D)

The summarised financial information in respect of Eastlog Holding Pte. Ltd., based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Group	
	2016	**2015**
	$'000	$'000
Assets and liabilities		
Current assets	**34,792**	20,494
Non-current assets	**82,857**	78,795
Total assets	**117,649**	99,289
Current liabilities	**17,876**	39,067
Non-current liabilities	**9,574**	23,039
Total liabilities	**27,450**	62,106
Non-controlling interest	**(11,905)**	3,736
Net assets	**78,294**	40,919
Proportion of Group's ownership	**22.2%**	22.2%
Group's share of net assets and carrying amount of the investment	**17,381**	9,084

Summarised statement of comprehensive income

	Group	
	2016	**2015**
	$'000	$'000
Revenue	**20,621**	40,349
(Loss)/Profit after tax	**(1,712)**	7,859
Other comprehensive income	**324**	(89)
Total comprehensive income	**(1,388)**	7,770

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	
	2016	**2015**
	$'000	$'000
Loss for the year	**(258)**	(2,684)
Other comprehensive income	**(753)**	1,015
Total comprehensive income	**(1,011)**	(1,669)

13. OTHER INVESTMENTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Non-current				
Available-for-sale financial assets				
Equity securities (quoted)	**29**	29	**28**	28
Equity securities (unquoted), at cost	**1,790**	1,755	**119**	119
Less: Impairment losses	**(109)**	(109)	**(109)**	(109)
	1,710	1,675	**38**	38
Loans and receivables	**27,560**	29,396	**857**	857
	29,270	31,071	**895**	895
Current				
Held for trading investments				
Debt securities (quoted)	**6,006**	–	**6,006**	–
Others (quoted)	**738**	–	**–**	–
Loans and receivables	**2,457**	–	**–**	–
	9,201	–	**6,006**	–

Equity securities (unquoted), at cost

Included in unquoted equity securities is an amount of $1,671,000 (2015: $1,636,000), equivalent to US$1,150,000 for a 10% equity stake in an independent oil storage terminal in Indonesia.

During the previous year, the Company disposed its interest in a fully impaired unquoted equity securities for a total consideration amounting to $3,000,000 and recognised a gain on disposal of other investments amounting to $3,000,000 in the "Other income" line item in the consolidated income statement.

Loans and receivables

Loans and receivables includes two loans by a subsidiary of the Company to support operations of the independent oil storage terminal in Indonesia.

Details of the loans are as follows:

(i) Loan A with principal amount of $26,703,000 (2015: $26,135,000), equivalent to US$18,480,000 (2015: US$18,480,000), bears interest at 12% per annum. The loan is repayable by year 2024.

(ii) Loan B with principal amount of $2,457,000 (2015: $2,404,000), equivalent to US$1,700,000 (2015: US$1,700,000), bears interest at the deposit rate of PT Bank Rakyat Indonesia. The loan is repayable by year 2017.

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14. DEFERRED TAX

Deferred tax as at 31 December relates to the following:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	**(2,303)**	(2,386)	**(1,391)**	(1,391)
Deferred tax assets				
Provisions	**1,144**	1,388	**136**	136
	(1,159)	(998)	**(1,255)**	(1,255)
Disclosures in balance sheets:				
Deferred tax assets	**747**	1,022	**–**	–
Deferred tax liabilities	**(1,906)**	(2,020)	**(1,255)**	(1,255)
	(1,159)	(998)	**(1,255)**	(1,255)

Unrecognised tax losses

A loss-transfer system of group relief (group relief system) for companies was introduced in Singapore with effect from year of assessment 2003. Under the group relief system, a company belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations (loss items) to another company belonging to the same group, to be deducted against the assessable income of the latter company.

As at 31 December 2016, the Group has tax losses and unabsorbed capital allowances of approximately $194,555,000 (2015: $170,703,000) and $9,529,000 (2015: $2,641,000) respectively 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

As at 31 December 2016, no deferred tax liability (2015: Nil) has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future.

Such temporary differences for which no deferred tax liability has been recognised aggregate to $18,311,000 (2015: $22,322,000). The deferred tax liability is estimated to be $1,925,000 (2015: $2,546,000).

14. DEFERRED TAX (CONT'D)

Tax consequences of proposed dividends

There are no income tax consequences (2015: Nil) attached to the proposed dividends by the Company to its shareholders (Note 30).

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade and other receivables (current):				
Trade receivables				
– External parties	**85,394**	90,243	**45,067**	54,371
– Subsidiaries	**–**	–	**1,625**	2,268
– Associates	**594**	320	**2**	1
Other receivables				
– Subsidiaries	**–**	–	**136,507**	155,832
– Associates	**1,427**	166	**1,249**	112
– External parties	**6,269**	7,312	**–**	–
Loan and advances	**1,410**	4,404	**11**	2
Sundry deposits	**2,246**	2,430	**1,171**	1,553
Recoverables	**3,197**	2,507	**423**	512
Income tax recoverables	**931**	916	**–**	–
Interest receivables	**4,361**	1,069	**58**	7
	105,829	109,367	**186,113**	214,658
Other receivables (non-current):				
Other receivables				
– Associates	**3,939**	3,855	**3,939**	3,855
Less: Allowance for impairment	**(3,939)**	(3,855)	**(3,939)**	(3,855)
	–	–	**–**	–
Total trade and other receivables (current and non-current)	**105,829**	109,367	**186,113**	214,658
Add: Cash and cash equivalents (Note 19)	**86,021**	118,215	**29,139**	60,062
Total loans and receivables	**191,850**	227,582	**215,252**	274,720

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15. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables

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

Trade receivables denominated in currencies other than SGD at 31 December are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Arab Emirates Dirham	**4,648**	11,405	**–**	417
Saudi Riyal	**3,151**	–	**954**	–
Thai Baht	**1,953**	11,676	**–**	–
United States Dollar	**19,066**	37,111	**13,461**	27,845
Other currencies	**690**	–	**–**	–

Related party balances

As at 31 December 2016, the Company has amount due from subsidiaries and associates in current trade and other receivables amounting to $139,383,000 (2015: $158,213,000). The 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 $60,963,000 (2015: $86,929,000) bearing interest ranging from 3.5% to 6.0% (2015: 5.5% to 6.0%) per annum. During the financial year, the Company recognised an impairment on receivables due from a subsidiary amounting to $43,350,000 (2015: Nil).

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.

15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group and Company has trade receivables amounting to $17,429,000 (2015: $17,317,000) and $11,088,000 (2015: $7,811,000) that are past due at the end of the reporting period but not impaired respectively. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade receivables past due but not impaired:				
Lesser than 30 days	**9,703**	4,182	**6,044**	769
30 – 60 days	**928**	1,440	**99**	124
61 – 90 days	**3,629**	951	**2,040**	401
91 – 120 days	**176**	85	**–**	1
More than 120 days	**2,993**	10,659	**2,905**	6,516
	17,429	17,317	**11,088**	7,811

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		Company	
	Individually impaired		Individually impaired	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade receivables – nominal amounts	**1,168**	1,008	**–**	–
Less: Allowance for impairment	**(1,168)**	(1,008)	**–**	–
	–	–	**–**	–

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15. TRADE AND OTHER RECEIVABLES (CONT'D)

Receivables that are impaired (cont'd)

	Group		Company	
	2016	2015	**2016**	2015
	$'000	$'000	$'000	$'000
Movement in allowance accounts:				
At 1 January	**1,008**	1,028	**–**	–
Charge for the year	**569**	–	**–**	–
Write back for the year	**(407)**	(6)	**–**	–
Currency realignment	**(2)**	(14)	**–**	–
	1,168	1,008	**–**	–

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	
	2016	2015	**2016**	2015
	$'000	$'000	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**1,733,105**	1,115,719	**833,719**	759,866
Less: Progress billings	**(1,728,948)**	(1,164,190)	**(864,783)**	(808,275)
	4,157	(48,471)	**(31,064)**	(48,409)
Presented as:				
Gross amount due from customers for contract work-in-progress	**26,427**	23,784	**995**	5,209
Gross amount due to customers for contract work-in-progress	**(22,270)**	(72,255)	**(32,059)**	(53,618)
	4,157	(48,471)	**(31,064)**	(48,409)
Retention sums on construction contract included in trade receivables	**40,788**	41,823	**29,211**	34,824

17. INVENTORIES

	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Balance sheet:				
Raw materials, supplies and consumables	**6,527**	5,647	**469**	495
Total inventories at lower of cost and net realisable value	**6,527**	5,647	**469**	495

	Group 2016 $'000	Group 2015 $'000
Income statement:		
Inventories recognised as an expense in "Cost of sales"	**5,639**	3,367
Inventories recognised as an expense in "Other operating costs" is inclusive of the following charge:		
– Inventories written down	**37**	65

18. FOREIGN CURRENCY CONTRACTS

		Group 2016			Group 2015		
	Maturity date	Contract/ Notional Amount $'000	Assets $'000	Liabilities $'000	Contract/ Notional Amount $'000	Assets $'000	Liabilities $'000
Forward currency contracts to sell USD and buy SGD – at fair value through profit or loss	13 Jan 2017 to 28 Feb 2017	**68,927**	**140**	**(465)**	84,852	–	(339)

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18. FOREIGN CURRENCY CONTRACTS (CONT'D)

		Company					
		2016			2015		
	Maturity date	Contract/ Notional Amount	Assets	Liabilities	Contract/ Notional Amount	Assets	Liabilities
		$'000	$'000	$'000	$'000	$'000	$'000
Forward currency contracts to sell USD and buy SGD – at fair value through profit or loss	13 Jan 2017 to 10 Feb 2017	**65,025**	**51**	**(465)**	84,852	–	(339)

The Group does not apply hedge accounting in respect to the above foreign exchange contract.

19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Short-term deposits	**17,474**	49,289	**11,260**	41,291
Cash at banks and on hand	**68,547**	68,926	**17,879**	18,771
Cash and cash equivalents	**86,021**	118,215	**29,139**	60,062

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 2016 for the Group and the Company were 0.68% (2015: 0.31%) and 0.50% (2015: 0.23%) respectively.

Cash and cash equivalents denominated in currencies other than SGD at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Arab Emirates Dirham	**3,319**	10,088	**–**	–
Saudi Riyal	**1,576**	1,037	**–**	–
Thai Baht	**14,157**	4,158	**–**	–
United States Dollar	**17,628**	46,024	**14,561**	40,824
Other currencies	**1,940**	2,249	**1**	125

20. LOANS AND BORROWINGS

		Group		Company	
	Maturity	2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Current:					
Obligations under finance leases (Note 25a)	2020	**57**	55	**47**	50
Bank loans:					
– SAR term loan	2018	**3,096**	2,749	**–**	–
– USD term loan	2021	**3,179**	–	**3,179**	–
		6,332	2,804	**3,226**	50
Non-current:					
Obligations under finance leases (Note 25a)	2020	**52**	93	**52**	93
Bank loans:					
– SAR term loan	2018	**3,710**	6,659	**–**	–
– USD term loan	2021	**11,126**	–	**11,126**	–
		14,888	6,752	**11,178**	93
Total loans and borrowings		**21,220**	9,556	**14,404**	143

Obligations under finance leases

These obligations are secured by a charge over the leased assets (Note 9). The average discount rate implicit in the leases is 2.5% (2015: 2.5%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

SAR term loan

In 2010, Saudi Industrial Development Fund (SIDF) sanctioned a loan of Saudi Riyal (SAR) 51,980,000 to a subsidiary. As at 31 December 2016, an amount of SAR 43,723,000 (2015: SAR 43,723,000) has been drawn down from the facility. The loan is repayable in 14 semi-annual instalments commencing from 8 March 2014 with the last instalment on 29 June 2018. During the financial year, the subsidiary has made repayments amounting to SAR 7,220,000 (2015: SAR 6,420,000). 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. The interest rate for the loan is 3.14% (2015: 2.97%).

USD term loan at LIBOR +1.5%

This loan is secured by a mortgage over the vessel of the Group (Note 9(c)) and is repayable in 10 semi-annual instalments commencing from 17 June 2016. The interest rate ranges from 2.24% to 2.44% (2015: Nil). The loan includes a financial covenant which requires the Company and a subsidiary to maintain a positive net worth throughout the tenure of the loan.

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21. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Trade and other payables (current):				
Trade payables				
– External parties	**44,531**	38,611	**4,543**	6,116
– Subsidiaries	**–**	–	**5,814**	12,744
– Associates	**–**	250	**–**	–
Other payables				
– External parties	**2,257**	2,549	**–**	307
– Subsidiaries	**–**	–	**59,176**	73,444
Accrued operating expenses	**50,520**	52,077	**11,561**	15,259
Provision for warranties	**33,179**	–	**14,293**	–
Total trade and other payables	**130,487**	93,487	**95,387**	107,870
Add:				
Loans and borrowings (Note 20)	**21,220**	9,556	**14,404**	143
Total financial liabilities carried at amortised cost	**151,707**	103,043	**109,791**	108,013

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.

As at 31 December 2016, the Group and Company recognised provision for warranties amounting to $33,179,000 (2015: Nil) and $14,293,000 (2015: Nil) respectively. Provision for warranties is recognised for expected warranty claims on the Group's and Company's completed projects.

Trade payables denominated in currencies other than SGD as at 31 December are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000
Arab Emirates Dirham	**4,385**	9,252	**–**	–
Saudi Riyal	**5,991**	7,830	**1**	67
Thai Baht	**732**	1,500	**–**	–
United States Dollar	**9,014**	6,741	**236**	594
Other currencies	**1,687**	812	**252**	27

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			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	**567,854**	**89,365**	567,854	89,365

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

(b) *Treasury shares*

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '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	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Foreign currency translation reserve	**6,100**	4,769	**–**	–
Statutory reserve	**300**	300	**–**	–
Capital reserve	**8,930**	547	**–**	–
Premium paid on acquisition of non-controlling interests	**(141,105)**	–	**–**	–
	(125,775)	5,616	**–**	–

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THE FINANCIAL STATEMENTS

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23. OTHER RESERVES (CONT'D)

(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*

Capital reserve includes an amount of $8,397,000 (2015: Nil) relating to the share of an associate's capital reserve.

(d) *Premium paid on acquisition of non-controlling interests*

The premium paid on acquisition of non-controlling interests raised from the acquisition of additional equity from its non-controlling interest as disclosed in Note 11(c).

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	
	2016	**2015**
	$'000	$'000
Associate company		
Contract sales and services	**638**	1,904
Rental received	**46**	50

The associate company refers to Rotary MEC (M) Sdn. Bhd., which is 49% held by the Company.

24. RELATED PARTY DISCLOSURES (CONT'D)

(b) *Compensation of key management personnel*

	Group	
	2016	**2015**
	$'000	$'000
Short-term employee benefits	**8,391**	10,965
Central Provident Fund contributions	**102**	110
	8,493	11,075
Comprise amounts paid to:		
Directors of the Company	**6,463**	8,146
Other key management personnel	**2,030**	2,929
	8,493	11,075

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

25. COMMITMENTS AND CONTINGENCIES

(a) *Finance lease*

The Group and Company 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. Renewals are 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:

	2016		2015	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
	$'000	$'000	$'000	$'000
Group				
Not later than one year	**53**	**57**	53	55
Later than one year but not later than five years	**65**	**52**	108	93
Total minimum lease payments	**118**	**109**	161	148
Less: Amounts representing finance charges	**(9)**	**–**	(13)	–
Present value of minimum lease payments	**109**	**109**	148	148

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25. COMMITMENTS AND CONTINGENCIES (CONT'D)

(a) *Finance lease (cont'd)*

	2016		2015	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
	$'000	$'000	$'000	$'000
Company				
Not later than one year	**50**	**47**	50	50
Later than one year but not later than five years	**55**	**52**	105	93
Total minimum lease payments	**105**	**99**	155	143
Less: Amounts representing finance charges	**(6)**	**–**	(12)	–
Present value of minimum lease payments	**99**	**99**	143	143

(b) *Operating lease commitments – as lessee*

The Group has entered into commercial leases on certain premises and office equipment. These leases have remaining tenures ranging from 1 year to 21 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 2016 amounted to $1,176,000 (2015: $1,182,000).

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

	Group	
	2016	**2015**
	$'000	$'000
Not later than one year	**910**	822
Later than one year but not later than five years	**3,495**	3,206
Later than five years	**3,475**	3,828
	7,880	7,856

(c) *Guarantees*

The Company has provided corporate guarantees to a maximum amount of $6,669,000 (2015: $4,784,000) to secure banking facilities for a subsidiary company (Note 20).

At the end of the reporting period, the Group and Company has provided bank guarantees amounting to $124,667,000 (2015: $163,994,000) and $99,606,000 (2015: $144,012,000) respectively for the performance of its operating activities and construction contracts.

25. COMMITMENTS AND CONTINGENCIES (CONT'D)

(d) *Legal claim*

In 2015, a Suit was filed in the High Court of the Republic of Singapore against the Company and two of the Company's officers. The plaintiffs have claimed for amongst other things, damages to be assessed for alleged breaches of contracts purportedly entered into between the Company and the plaintiffs relating to business operations in the Kingdom of Saudi Arabia. On 21 March 2017, the Singapore Court of Appeal granted the Company's application for the Suit to be stayed in Singapore on the basis that the Kingdom of Saudi Arabia is clearly the more appropriate forum to hear the dispute.

In 2016, a Suit was filed in the High Court of the Republic of Singapore against the Company and its Board members. The plaintiff is claiming damages for libel in respect of a statement contained in an SGX announcement made by the Company in relation to the legal claim mentioned above. The Company will take all measures necessary to resist and refute the claim in the Suit.

The Company does not anticipate that the outcome of either of the two court actions mentioned above will have a material impact on the Company.

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 2016 and 2015.

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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)	Total
	$'000	$'000	$'000
Group			
2016			
Assets measured at fair value			
Financial assets:			
Available-for-sale financial assets (Note 13)			
– Equity securities (quoted)	**29**	**–**	**29**
Held for trading financial assets (Note 13)			
– Debt securities (quoted)	**6,006**	**–**	**6,006**
– Others (quoted)	**738**	**–**	**738**
Foreign currency contracts (Note 18)			
– At fair value through profit or loss	**–**	**140**	**140**
At 31 December 2016	**6,773**	**140**	**6,913**
Liabilities measured at fair value			
Financial liabilities:			
Foreign currency contracts (Note 18)			
– At fair value through profit or loss	**–**	**(465)**	**(465)**
At 31 December 2016	**–**	**(465)**	**(465)**
2015			
Assets measured at fair value			
Financial assets:			
Available-for-sale financial assets (Note 13)			
– Equity securities (quoted)	29	–	29
At 31 December 2015	29	–	29
Liabilities measured at fair value			
Financial liabilities:			
Foreign currency contracts (Note 18)			
– At fair value through profit or loss	–	(339)	(339)
At 31 December 2015	–	(339)	(339)

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)	Significant observable inputs other than quoted prices (Level 2)	Total
	$'000	$'000	$'000
Company			
2016			
Assets measured at fair value			
Financial assets:			
Available-for-sale financial assets (Note 13)			
– Equity securities (quoted)	**28**	**–**	**28**
Held for trading financial assets (Note 13)			
– Debt securities (quoted)	**6,006**	**–**	**6,006**
Foreign currency contracts (Note 18)			
– At fair value through profit or loss	**–**	**51**	**51**
At 31 December 2016	**6,034**	**51**	**6,085**
Liabilities measured at fair value			
Financial liabilities:			
Foreign currency contracts (Note 18)			
– At fair value through profit or loss	**–**	**(465)**	**(465)**
At 31 December 2016	**–**	**(465)**	**(465)**
2015			
Assets measured at fair value			
Financial assets:			
Available-for-sale financial assets (Note 13)			
– Equity securities (quoted)	28	–	28
At 31 December 2015	28	–	28
Liabilities measured at fair value			
Financial liabilities:			
Foreign currency contracts (Note 18)			
– At fair value through profit or loss	–	(339)	(339)
At 31 December 2015	–	(339)	(339)

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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, debt and other securities (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*

This pertains to current loans and receivables (Note 13), 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			
		2016 $'000		2015 $'000		2016 $'000		2015 $'000	
	Note	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:									
Equity securities, at cost	13	**1,681**	*****	1,646	*	**10**	**–**	10	–
Loans and receivables (non-current)	13	**27,560**	**@**	29,396	@	**857**	**–**	857	–

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)*

		Group				Company			
		2016		2015		2016		2015	
		$'000		$'000		$'000		$'000	
	Note	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities:									
Loans and borrowings (non-current)	20	**14,888**	**14,044**	6,752	6,449	**11,178**	**10,478**	93	93

* Investment in equity securities 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 these investments in the foreseeable future.

@ Loans and receivables (Note 13)

Fair value information has not been disclosed for the Group's loans and receivables 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

Non-current loans and borrowings (Note 20)

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.

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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 on the 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 in the event that 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 thus 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 $6,669,000 (2015: $4,784,000) relating to corporate guarantees provided by the Company to banks on bank facilities granted to a subsidiary company.

– A nominal amount of $124,667,000 (2015: $163,994,000) and $99,606,000 (2015: $144,012,000) relating to bank guarantees provided by the Group and Company respectively for the performance of its operating activities and construction contracts.

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			
	2016		2015	
	$'000	% of total	$'000	% of total
By country:				
Singapore	**58,058**	**68**	49,874	55
Saudi Arabia	**14,711**	**17**	17,202	19
United Arab Emirates	**9,337**	**11**	17,377	19
Thailand	**1,953**	**2**	5,183	6
Others	**1,335**	**2**	607	1
	85,394	**100**	90,243	100

At the end of the reporting period, approximately:

50% (2015: 52%) 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.

2% (2015:–*) of the Group's trade and other receivables were due from related parties while 75% (2015: 74%) of the Company's receivables were balances with related parties.

* less than 1%

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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 30% (2015: 29%) of the Group's loans and borrowings (Note 20) will mature in less than one year based on the carrying amount reflected in the financial statements.

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.

	2016 $'000				2015 $'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	**130,487**	**–**	**–**	**130,487**	93,487	–	–	93,487
Forward currency contracts	**465**	**–**	**–**	**465**	339	–	–	339
Loans and borrowings	**6,737**	**15,288**	**–**	**22,025**	2,940	6,815	–	9,755
Total undiscounted financial liabilities	**137,689**	**15,288**	**–**	**152,977**	96,766	6,815	–	103,581
Company								
Trade and other payables	**95,387**	**–**	**–**	**95,387**	107,870	–	–	107,870
Forward currency contracts	**465**	**–**	**–**	**465**	339	–	–	339
Loans and borrowings	**3,491**	**11,550**	**–**	**15,041**	50	93	–	143
Total undiscounted financial liabilities	**99,343**	**11,550**	**–**	**110,893**	108,259	93	–	108,352

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.

	2016 $'000				**2015** $'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	**92,490**	**32,177**	**–**	**124,667**	101,302	62,692	–	163,994
Company								
Financial guarantees	**81,037**	**25,238**	**–**	**106,275**	90,962	57,834	–	148,796

(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. Currently, the Group's and Company's 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 interest rates had been 100 (2015: 100) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $211,000 (2015: $94,000) 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.

NOTES TO
THE FINANCIAL STATEMENTS
31 DECEMBER 2016

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 Riyal (SAR) and Arab Emirates Dirham (AED). The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD). Approximately 15% (2015: 29%) and 14% (2015: 33%) of the Group's sales and cost of sales are denominated in foreign currencies. 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 cash equivalents 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 assets, 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.

Sensitivity analysis for foreign currency risk

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	
	2016	**2015**
	$'000	$'000
	Profit before tax	Profit before tax
USD/SGD		
– strengthened 1% (2015: 1%)	**+66**	+670
– weakened 1% (2015: 1%)	**-66**	-670

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 2016 and 31 December 2015.

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 2016 and 2015.

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 cash equivalents. Capital includes equity attributable to owners of the Company less the above-mentioned restricted statutory reserve.

	Group	
	2016	**2015**
	$'000	$'000
Loans and borrowings (Note 20)	**21,220**	9,556
Trade and other payables (Note 21)	**130,487**	93,487
Less: Cash and cash equivalents (Note 19)	**(86,021)**	(118,215)
Net debt/(cash)	**65,686**	(15,172)
Equity attributable to owners of the Company	**160,598**	289,149
Less: Statutory reserve	**(300)**	(300)
Total capital	**160,298**	288,849
Capital and net debt	**225,984**	273,677
Gearing ratio	**29%**	NM

* NM denotes not meaningful

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31 DECEMBER 2016

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, India and Vietnam.

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 2016 and 2015.

	Project services		Maintenance and trading		Eliminations		Consolidated	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Segment revenue								
Sales to external customers	**182,981**	278,550	**50,888**	50,724	**–**	–	**233,869**	329,274
Inter-segment sales	**2,941**	3,732	**7,233**	7,963	**(10,174)**	(11,695)	**–**	–
Total revenue	**185,922**	282,282	**58,121**	58,687	**(10,174)**	(11,695)	**233,869**	329,274
Segment result	**43,932**	64,065	**13,149**	15,688	**–**	–	**57,081**	79,753
Unallocated expenses, net							**(42,905)**	(30,805)
Finance costs	**(494)**	(415)	**–**	–	**–**	–	**(494)**	(415)
Share of results of associates	**233**	125	**–**	–	**–**	–	**233**	125
Unallocated share of results of associates							**(672)**	(708)
Profit before tax							**13,243**	47,950
Income tax expense							**(1,400)**	(2,886)
Profit after tax							**11,843**	45,064

The nature of the elimination to arrive at amounts reported in the consolidated financial statements relates to inter-segment revenues that are eliminated on consolidation.

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THE FINANCIAL STATEMENTS
31 DECEMBER 2016

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 2016 and 2015.

	Project services		Maintenance and trading		Consolidated	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000	$'000	$'000
Assets and liabilities:						
Segment assets	**261,246**	258,955	**68,776**	74,724	**330,022**	333,679
Investment in associates	**497**	214	**–**	–	**497**	214
Unallocated assets (Note A)					**23,208**	15,943
Total assets					**353,727**	349,836
Segment liabilities	**162,118**	168,109	**17,677**	16,921	**179,795**	185,030
Unallocated liabilities (Note B)					**11,562**	11,725
Total liabilities					**191,357**	196,755
Other segment information:						
Capital expenditure	**26,211**	3,107	**189**	486	**26,400**	3,593
Depreciation and amortisation	**9,000**	8,720	**1,167**	1,162	**10,167**	9,882

Notes

A Unallocated assets consist of deferred tax assets, tax recoverable and investments in associates amounting to $747,000 (2015: $1,022,000), $931,000 (2015: $917,000) and $21,530,000 (2015: $14,004,000) respectively.

B Unallocated liabilities consist of deferred tax liabilities and income tax payable amounting to $1,906,000 (2015: $2,020,000) and $9,656,000 (2015: $9,705,000) respectively.

Information about major customers

Revenue from 5 (2015: 2) major customers amount to $72,991,000 (2015: $108,546,000), 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 2016 and 2015.

	Singapore		Thailand		Middle East		Others		Total	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue:										
Sales to external customers	**163,855**	186,428	**29,370**	38,670	**36,404**	97,790	**4,240**	6,386	**233,869**	329,274
Other segment information:										
Segment assets	**222,553**	214,425	**31,916**	27,191	**36,512**	56,009	**39,041**	36,054	**330,022**	333,679
Investment in associates	**17,381**	8,968	**–**	–	**–**	–	**4,646**	5,250	**22,027**	14,218
Unallocated assets									**1,678**	1,939
Total assets									**353,727**	349,836
Capital expenditure	**25,971**	2,386	**207**	938	**141**	111	**81**	158	**26,400**	3,593

30. DIVIDENDS

	Group and Company	
	2016	**2015**
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
– Final exempt (one-tier) dividend for 2015: 1.5 cents (2014: 2.5 cents) per share	**8,513**	14,188
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 2016: 0.5 cent (2015: 1.5 cents) per share	**2,838**	8,513

31. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 27 March 2017.

STATISTICS OF **SHAREHOLDINGS**

AS AT 13 MARCH 2017

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	11	0.14	227	0.00
100 – 1,000	246	3.01	212,316	0.04
1,001 – 10,000	4,952	60.52	27,945,932	4.92
10,001 – 1,000,000	2,949	36.04	127,581,584	22.48
1,000,001 and above	24	0.29	411,777,941	72.56
	8,182	**100.00**	**567,518,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 13 March 2017)

	Direct Interest	%	Deemed Interest	%
Roger Chia Kim Piow (Note 1)	28,085,916	4.95	172,423,528	30.38
Jenny Wong Oi Moi (Note 2)	6,972,896	1.23	193,536,548	34.10
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 13 MARCH 2017

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	124,061,933	21.86
3.	ROGER CHIA KIM PIOW	28,085,916	4.95
4.	CHIA KIM CHUA	22,242,400	3.92
5.	LIM & TAN SECURITIES PTE LTD	10,952,700	1.93
6.	DBS NOMINEES (PRIVATE) LIMITED	8,961,700	1.58
7.	WONG OI MOI	6,972,896	1.23
8.	CITIBANK NOMINEES SINGAPORE PTE LTD	5,995,800	1.06
9.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	4,347,700	0.77
10.	UOB KAY HIAN PRIVATE LIMITED	4,263,100	0.75
11.	MAYBANK KIM ENG SECURITIES PTE. LTD.	4,064,400	0.72
12.	DBSN SERVICES PTE. LTD.	3,886,400	0.68
13.	HONG LEONG FINANCE NOMINEES PTE LTD	3,301,600	0.58
14.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	2,871,000	0.51
15.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,810,500	0.50
16.	PHILLIP SECURITIES PTE LTD	2,459,400	0.43
17.	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	1,804,103	0.32
18.	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	1,649,500	0.29
19.	OCBC SECURITIES PRIVATE LIMITED	1,531,500	0.27
20.	KGI SECURITIES (SINGAPORE) PTE LTD	1,502,000	0.26
	TOTAL	407,215,180	71.76

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

39.14% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Rotary Engineering Limited. (the "Company") will be held at 17 Tuas Avenue 20, Singapore 638828 on Wednesday, 26 April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2016 together with the Auditor's Report thereon. **(Resolution 1)**

2. To declare a final one-tier tax exempt dividend of Singapore 0.5 cent per share for the year ended 31 December 2016 *(2015: 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 Company's Constitution:

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

4. To approve the payment of Directors' fees of $370,000 for the year ended 31 December 2016 (2015: $370,000). **(Resolution 5)**

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

6. 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:

7. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act, Cap. 50 ("**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), 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 SGX-ST) 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 SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution 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 7)**

8. **Proposed Renewal of Share Buy-back Mandate**

That:

(1) for the purposes of Sections 76C and 76E of the Companies Act, 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:

NOTICE OF ANNUAL GENERAL MEETING

(a) market purchase(s) ("**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) ("**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 and Companies Act 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 conclusion of the next Annual General Meeting of the Company or the date by which such Annual General Meeting of the Company is required to be held;

(b) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Renewed Share Buy-back Mandate are carried out to the full extent mandated; or

(c) the date on which the authority contained in the Renewed Share Buy-back Mandate is varied or revoked by ordinary resolution of the Company in a general meeting.

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 Resolution;

"**Maximum Price**", in relation to a Share to be purchased, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax, clearance fees 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; and

"**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; and

(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 8)**

By Order of the Board

Toh Li Ping, Angela
Secretary
Singapore, 11 April 2017

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes:

(i) The Ordinary Resolution 7 in item 7 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 8. The amount of financing required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on, *inter alia*, the number of Shares purchased or acquired and the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are held in treasury or cancelled. Purely for illustrative purposes, based on the existing issued Shares as at 13 March 2017 ("**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$0.42 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 56,751,800 Shares is S$23,835,756. The illustrative financial effects of the purchase or acquisition of such Shares by the Company pursuant to the proposed Renewed Share Buy-back Mandate on the audited financial statements of the Group for FY2016 are set out in paragraph 7(d) of the Letter to Shareholders dated 11 April 2017.

Notes:

1. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Annual General Meeting (the "Meeting").

   (b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy need not be a member of the Company.

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 17 Tuas Avenue 20, Singapore 638828 not less than forty-eight (48) hours before the time appointed for holding the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Meeting 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (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. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely **FOR INFORMATION ONLY**.
3. 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.

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 Annual General Meeting (the "**AGM**") as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM of the Company to be held at 17 Tuas Avenue 20, Singapore 638828 on Wednesday, 26 April 2017 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the resolution to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/their discretion, as he/they will on any other matter arising at the AGM.

No.	**Resolutions relating to:**	**Number of Votes For**(1)	**Number of Votes Against**(1)
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2016		
2	Payment of proposed final dividend		
3	Re-election of Mr. Chia Kim Chua as a Director		
4	Re-election of Madam Jenny Wong Oi Moi as a Director		
5	Approval of Directors' fees amounting to $370,000 for the year ended 31 December 2016		
6	Re-appointment of Ernst & Young LLP as Auditors		
7	Authority to issue new shares		
8	Proposed Renewal of Share Buy-back Mandate		

* Delete as appropriate
(1) If you wish to exercise all your votes "For" or "Against", please indicate an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of ______________ 2017

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

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

Notes:

1. Please insert the total number of shares held by you. If you have share entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, 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 of the Company, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. (a) A member who is not a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50) is entitled to appoint not more than two (2) proxies to attend, speak and vote at the AGM. Where such member's form of proxy appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50) is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

3. A proxy need not be a member of the Company.

4. 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 by holding the AGM.

5. 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.

6. 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, failing which the instrument may be treated as invalid.

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 AGM, in accordance with Section 179 of the Companies Act, Chapter 50.

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 (iii) of Appendix 2 of the Take-over Code to abstain from voting for and/or recommending that shareholders vote in favour of Ordinary Resolution 8 and should accordingly, not be appointed as proxies in respect of Ordinary Resolution 8.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATING COMMITTEE

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

REMUNERATION COMMITTEE

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

COMPANY SECRETARIES

- Lai Kuan Loong, Victor
- Toh Li Ping, Angela

REGISTERED OFFICE

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

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

AUDITORS

Ernst & Young LLP
Audit Partner –
Mak Keat Meng
(since Financial Year 2015)

ROTARY
WORLDWIDE OFFICES

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

61 Jurong Island Highway
Singapore 627860
Tel: (65) 6866 0000
Fax: (65) 6866 0199
Email: bdd@rotaryeng.com.sg

INDIA
No. 1108, 11th Floor, D Block South,
TIDEL Park, No. 4, Rajiv Gandhi Salai,
Taramani, Chennai 600 113, India

INDONESIA
Jalan Brigjen Katamso,
KM.6 Tanjung Uncang,
Batam, Indonesia

MALAYSIA
16 Jalan PJS 7/21,
Bandar Sunway Petaling Jaya 46150,
Selangor, Malaysia

THAILAND
168 Moo5,
Sumnaktorn Sub-district, Banchang District,
Rayong 21130, Thailand

SAUDI ARABIA
P.O. Box 10162,
Jubail Industrial City 31961,
Kingdom of Saudi Arabia

UNITED ARAB EMIRATES
P.O. Box 5052,
Block M Plot 6, Al Hayle Industrial Area,
Fujairah, United Arab Emirates

VIETNAM
42/55 Nguyen Minh Hoang,
Ward 12, Tan Binh District,
Ho Chi Minh City, Vietnam

www.rotaryeng.com.sg

ROTARY

Smart thinking. Safe hands.

Company's Registration No. 198000255E