

ENTERPRISE OF THE YEAR AWARD

Rotary Engineering Limited

BACKGROUND

Chia Kim Piow is the founder, chairman and managing director of the Rotary Group of companies. With more than 30 years of experience in plant and facility design and construction, he has been instrumental in developing the group from 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.

COMPANY PROFILE

Mainboard-listed Rotary Engineering was started in 1972 with capital of just \$15,000, chipped in by five partners fed up with working for others and who wanted to be their own boss. Today, the engineering, procurement and construction company that serves the rich oil and gas industry has a market capitalisation of about \$500 million. Annual sales totalled \$510.2 million for the year ended Dec 31, 2007, up 17 per cent from the previous year.

Back in 1984, Rotary was on the brink of going bust, hit by a double whammy of poor business and high overheads. Rotary had by then grown into an amalgamation of disparate businesses going separate ways. While the businesses shared a common roof, they were not pulling in enough revenue to support the overlapping overheads which had become a heavy burden.

Mr Chia overhauled Rotary. He took advantage of the lull in the industry to hire more engineers than a Japanese rival shed - and sharpened his company's focus on engineering. Eating humble pie when he has to fend off creditors during that critical year when Rotary almost went over the edge was a horrible experience which taught Mr Chia to be more prudent in later years. As a result, he has shunned unfamiliar terrain in business.

Today, Rotary is a market leader in providing engineering design, procurement, construction and maintenance services, serving the oil & gas, petrochemical and pharmaceutical industries.

The company went public in 1993 and is spreading its wings in global markets, having established a presence in Malaysia, Thailand, Indonesia, Australia, China and, most recently, the Middle East. It was often a multinational company client here that got Rotary launched in an overseas market. Impressed with the job Rotary has done, the MNC client would offer the company more projects elsewhere where it also operates. Its first break overseas - Thailand - was given by an MNC client who went on to offer the company more projects elsewhere. The client awarded it a \$40 million contract and Rotary started from scratch there. It ventured into China in 1993.

Rotary clinched its biggest deal at the start of 2006 - a \$535 million contract to work on the \$750 million Universal Terminal on Jurong Island. The size of the project has turned the spotlight on Rotary, which already has potential clients from the Middle East knocking at its door. The project is a springboard to bigger terminal jobs and Rotary is certainly on a roll.

The company, which boasts an outstanding order book of \$525 million as at end-June, reported a 150 per cent jump to \$202.1 million in sales in the first six months of 2006, while net profits rose almost five times to \$16 million.

The Rotary Group, with a total workforce of over 4,000 employees, has subsidiaries, associates, affiliates and representative offices in Malaysia, Thailand, Indonesia, India, China, Azerbaijan, Australia and the Middle East.

FINANCIAL PERFORMANCE

FY2006

The group's turnover increased by 112% to \$437 million compared with \$206 million in the previous corresponding year. About \$328 million, representing 75% of turnover, is derived from storage terminals, process plants and maintenance projects in Singapore.

The 292% increase in profit after tax to \$36.6 million is attributed to the increase in project revenue.

During the year under review the group secured total contracts worth \$833 million. As at 31 Dec, 2006, the group's outstanding order book amounted to \$557 million.

The oil and gas and petrochemical industry that the group operates in is expected to remain favourable. The group is taking the opportunity to further enhance its market position in Singapore. And as part of its global growth plan, Rotary will embark on a focused strategy to expand its business activities in other vibrant regions, especially in Thailand and the Middle East.

FY2007

For the financial year ended Rotary announced a record net profit of \$52.8 million, an increase of 50% over the \$35.2 million it registered the previous year.

Group turnover for the year stood at \$510.2 million, an increase of 17% over the previous corresponding period. The increase in turnover is largely contributed by several on-going projects on Jurong Island. To date, the Group has a total order book of \$640 million.

The Group continues to prospect for contract overseas, and in early 2007, was awarded a \$74 million contract by PT Oiltanking Indonesia JV terminal project in Merak, Indonesia. It is also building a \$22 million facility in Saudi Arabia and recently, secured its major contract in the Middle East from SABIC for the Saudi Kayan Petrochemical plant totally US\$ 62 million.

It recently formed a joint venture with Beijing Everthiving Energy Technology Co Ltd to undertake the transportation and sale of LNG in China. This gives Rotary its exposure to the energy sector in China.

As part of its globalisation plan, it opened a training centre in China and launched its Global Work Force Scheme in June last year. This initiative would target at doubling its workforce to 6,000 strong in three years.

SHARE INFO

At 31st December 2007, it shares closed at \$1.28 a piece, giving it a market capitalisation of \$726.8 million, an increase of 80.3% over the previous year. It ranked 139th position vis-à-vis 160th in 2006. .

FINANCIAL SUMMARY

Millions	2003	2004	2005	2006	2007
Turnover	91.3	172	260.1	437.3	510
Pre-tax Profit	4.1	6.6	13.4	47.8	71.5
Net Profit	3.2	5.5	8.4	35.5	52.8
EPS (cents)	0.8	1.4	2.1	8.7	9.3
NAV (cents)			25.9	33.9	30

As at 26 March 2008