



PEC LTD.

21 Shipyard Road, Singapore 628144
Tel: 6268 9788 Fax: 6268 9488 www.peceng.com
Co. Reg. No: 198200079M

SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2013

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 31 December 2013.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Results for second quarter ("Q2") and first half year ("1H") ended 31 December 2013:

	Group			Group		
	Q2 2014	Q2 2013	Change	1H 2014	1H 2013	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	112,030	144,309	(22%)	212,974	264,316	(19%)
Cost of sales	(87,571)	(124,259)	(30%)	(164,639)	(218,547)	(25%)
Gross profit	24,459	20,050	22%	48,335	45,769	6%
Gross profit margin	22%	14%		23%	17%	
Other operating income	950	1,981	(52%)	1,766	2,475	(29%)
Administrative expenses	(7,698)	(7,051)	9%	(15,731)	(15,103)	4%
Other operating expenses	(14,136)	(12,447)	14%	(28,106)	(26,255)	7%
Finance expenses	(35)	(76)	(54%)	(175)	(117)	50%
Share of results of associates	(189)	198	NM	(34)	520	NM
Share of results of joint ventures	(96)	24	NM	(110)	14	NM
Profit before taxation	3,255	2,679	22%	5,945	7,303	(19%)
Income tax	(939)	(201)	367%	(2,513)	(1,442)	74%
Profit after taxation	2,316	2,478	(7%)	3,432	5,861	(41%)
Attributable to:						
Equity holders of the Company	1,736	2,613	(34%)	4,126	5,915	(30%)
Non-controlling interests	580	(135)	NM	(694)	(54)	1185%
	2,316	2,478	(7%)	3,432	5,861	(41%)
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Net change in fair value reserve	-	-	NM	1	(10)	NM
Net effect of exchange differences	664	(325)	NM	42	(589)	NM
Total other comprehensive income for the year, net of tax	664	(325)	NM	43	(599)	NM
Total comprehensive income for the year	2,980	2,153	38%	3,475	5,262	(34%)
Total comprehensive income attributable to:						
Equity holders of the Company	2,325	2,272	2%	4,146	5,452	(24%)
Non-controlling interests	655	(119)	NM	(671)	(190)	253%
	2,980	2,153	38%	3,475	5,262	(34%)

Denotes: NM – not meaningful



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1(a)(ii) The income statement is arrived after crediting / (debiting) the following:-

	Group		Group	
	Q2 2014	Q2 2013	1H 2014	1H 2013
	S\$'000	S\$'000	S\$'000	S\$'000
Amortisation of land use rights	(6)	(5)	(12)	(11)
Amortisation of intangible assets	(8)	(8)	(16)	(16)
Depreciation of property, plant and equipment	(3,348)	(2,914)	(6,584)	(5,590)
Write back/(impairment) of trade receivables, net	76	(1)	4	(70)
Bad debts	-	-	(1)	(29)
Interest expense	(35)	(39)	(56)	(45)
Exchange (loss)/gain, net	(443)	622	(192)	(357)
Net fair value loss on derivative financial instruments	-	(198)	-	(18)
Gain on disposal of property, plant and equipment	67	1,226	43	1,233
Interest income	178	151	288	278
Sundry income	548	362	1,156	656



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1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2013
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	108,413	109,266	63,327	66,370
Investment securities	47	46	47	46
Investment in subsidiaries	–	–	29,805	29,755
Investment in joint ventures	448	557	–	–
Investment in associates	2,954	2,564	354	354
Intangible assets	1,716	1,733	219	235
Land use rights	696	701	–	–
Amounts due from subsidiaries	–	–	12,140	10,540
	<u>114,274</u>	<u>114,867</u>	<u>105,892</u>	<u>107,300</u>
Current assets				
Contracts-in-progress (net of progress billings)	41,707	58,670	20,803	26,486
Inventories	573	489	–	–
Trade receivables	88,069	93,963	52,503	55,691
Other receivables and deposits	7,471	6,511	5,109	3,922
Prepayments	2,734	1,330	1,043	916
Amounts due from subsidiaries	–	–	14,211	16,035
Cash and short term deposits	80,826	80,149	58,663	53,183
	<u>221,380</u>	<u>241,112</u>	<u>152,332</u>	<u>156,233</u>
Total Assets	<u>335,654</u>	<u>355,979</u>	<u>258,224</u>	<u>263,533</u>
EQUITIES AND LIABILITIES				
Current liabilities				
Progress billings in excess of costs	8,357	5,868	4,993	993
Trade payables	31,854	42,822	19,996	24,372
Other payables and accruals	56,086	68,364	31,379	40,789
Provisions	6,205	5,404	3,082	3,060
Loan and borrowings	2,472	3,167	–	–
Income tax payable	2,509	864	1,718	507
	<u>107,483</u>	<u>126,489</u>	<u>61,168</u>	<u>69,721</u>
Net current assets	113,897	114,623	91,164	86,512
Non-current liabilities				
Loans and borrowings	5,609	3,248	–	–
Deferred tax liabilities	2,813	2,888	2,554	2,554
	<u>8,422</u>	<u>6,136</u>	<u>2,554</u>	<u>2,554</u>
Total Liabilities	<u>115,905</u>	<u>132,625</u>	<u>63,722</u>	<u>72,275</u>
Net assets	<u>219,749</u>	<u>223,354</u>	<u>194,502</u>	<u>191,258</u>
Equity attributable to equity holders of the Company				
Share capital	58,481	58,481	58,481	58,481
Statutory reserve	1,085	1,085	–	–
Fair value reserve	29	28	29	28
Retained earnings	153,317	155,542	135,992	132,749
Premium paid on acquisition of non-controlling interests	(2,764)	(2,698)	–	–
Foreign currency translation reserve	(700)	(719)	–	–
	<u>209,448</u>	<u>211,719</u>	<u>194,502</u>	<u>191,258</u>
Non-controlling interests	10,301	11,635	–	–
Total Equity	<u>219,749</u>	<u>223,354</u>	<u>194,502</u>	<u>191,258</u>
Total equity and liabilities	<u>335,654</u>	<u>355,979</u>	<u>258,224</u>	<u>263,533</u>



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

Amount repayable in one year or less, or on demand

As at 31 Dec 2013		As at 30 June 2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
2,472	–	3,167	–

Amount repayable after one year

As at 31 Dec 2013		As at 30 June 2013	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,609	–	3,248	–

Detail of any collateral

The Group's borrowings were secured over corporate guarantee and property, plant and equipment.



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1(c) A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group	
	1H 2014	1H 2013
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	5,945	7,303
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	6,584	5,590
Gain on disposal of property, plant and equipment	(43)	(1,233)
Impairment of trade receivables, net	(4)	70
Provision, net	132	43
Currency realignment	114	(17)
Net fair value loss on derivative financial instruments	-	18
Amortisation of land use rights	12	11
Amortisation of intangible assets	16	16
Share of results of associates	34	(520)
Share of results of joint ventures	110	(14)
Interest income	(288)	(278)
Interest expense	56	45
Operating cash flows before working capital changes	12,668	11,034
Decrease in contracts-in-progress	19,453	5,156
Increase in inventories	(85)	(3)
Increase/(decrease) in trade and other receivables, and prepayments	3,536	(29,216)
(Decrease)/increase in trade and other payables and accruals, and provision	(23,247)	15,975
Cash flows generated from operations	12,325	2,946
Tax paid	(943)	(2,498)
Interest paid	(56)	(45)
Interest received	288	278
Net cash flows generated from operating activities	11,614	681
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	443	648
Proceeds from dilution of interest in a subsidiary	-	-
Net cash outflow on acquisition of non-controlling interests	(50)	-
Dividend income from associate	245	245
Purchase of property, plant and equipment	(6,211)	(10,570)
Net cash flows used in investing activities	(5,573)	(9,677)
Cash flows from financing activities		
Proceeds from borrowings	1,666	1,308
Additional investments by subsidiaries' minority shareholders	25	90
Dividends paid to non-controlling interests	(676)	(102)
Dividends paid on ordinary shares	(6,379)	(6,379)
Net cash flows used in financing activities	(5,364)	(5,083)
Net increase in cash & cash equivalents	677	(14,079)
Cash & cash equivalents at beginning of the period	80,149	114,203
Cash & cash equivalents at end of the period	80,826	100,124



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1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

GROUP

	----- Attributable to owners of the Company -----								
	Share Capital	Statutory Reserve	Retained earnings	Fair value reserve	Premium paid on acquisition of non-controlling interests	Foreign currency translation reserve	Equity attributable to owners of the company, total	Non-controlling interests	Equity, total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2013	58,481	1,085	155,542	28	(2,698)	(719)	211,719	11,635	223,354
Total comprehensive income	-	-	2,390	1	-	(570)	1,821	(1,326)	495
At 30 September 2013	58,481	1,085	157,932	29	(2,698)	(1,289)	213,540	10,309	223,849
Total comprehensive income	-	-	1,736	-	-	589	2,325	655	2,980
Acquisition of non-controlling interests without change in control	-	-	-	-	(66)	-	(66)	16	(50)
Additional investment by non-controlling interest	-	-	-	-	-	-	-	25	25
Dividends on ordinary shares	-	-	(6,379)	-	-	-	(6,379)	-	(6,379)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(676)	(676)
Dilution of interest in subsidiary	-	-	28	-	-	-	28	(28)	-
At 31 December 2013	58,481	1,085	153,317	29	(2,764)	(700)	209,448	10,301	219,749

GROUP

	----- Attributable to owners of the Company -----								
	Share Capital	Statutory Reserve	Retained earnings	Fair value reserve	Premium paid on acquisition of non-controlling interests	Foreign currency translation reserve	Equity attributable to owners of the company, total	Non-controlling interests	Equity, total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2012	58,481	1,073	149,557	61	(2,698)	(441)	206,033	10,881	216,914
Total comprehensive income	-	-	3,302	(10)	-	(264)	3,028	(71)	2,957
Additional investment by non-controlling interest	-	-	-	-	-	-	-	55	55
Dilution of interest in subsidiary	-	-	31	-	-	-	31	(31)	-
At 30 September 2012	58,481	1,073	152,890	51	(2,698)	(705)	209,092	10,834	219,926
Total comprehensive income	-	-	2,613	-	-	(325)	2,288	(119)	2,169
Additional investment by non-controlling interest	-	-	-	-	-	-	-	35	35
Dividends on ordinary shares	-	-	(6,379)	-	-	-	(6,379)	-	(6,379)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(102)	(102)
Dilution of interest in subsidiary	-	-	23	-	-	-	23	(23)	-
At 31 December 2012	58,481	1,073	149,147	51	(2,698)	(1,030)	205,024	10,625	215,649



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<u>COMPANY</u>	Share Capital	Retained earnings	Fair value reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2013	58,481	132,749	28	191,258
Total comprehensive income	–	6,109	1	6,110
At 30 September 2013	58,481	138,858	29	197,368
Total comprehensive income	–	3,513	–	3,513
Dividends on ordinary shares	–	(6,379)	–	(6,379)
At 31 December 2013	58,481	135,992	29	194,502

<u>COMPANY</u>	Share Capital	Retained earnings	Fair value reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2012	58,481	120,007	61	178,549
Total comprehensive income	–	1,545	(10)	1,535
At 30 September 2012	58,481	121,552	51	180,084
Total comprehensive income	–	3,881	–	3,881
Dividends on ordinary shares	–	(6,379)	–	(6,379)
At 31 December 2012	58,481	119,054	51	177,586

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Issued and fully paid ordinary shares:	Number of Shares	
	As at 31 Dec 2013	As at 31 Dec 2012
As at beginning and end of period	255,157,000	255,157,000

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at end of the immediately preceding year.

	As at 31 Dec 2013	As at 30 June 2013
Total number of issued shares excluding treasury shares	255,157,000	255,157,000

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at end of the current financial period report on.

Not applicable



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2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period compared with those of the audited financial statements as of 30 June 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

None.

6. Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	Group		Group	
	Q2 2014	Q2 2013	1H 2014	1H 2013
Earnings per ordinary share of the Group for the year after deducting any provision for preference dividends (in cents):-				
a) Based on weighted average number of ordinary shares on issue; and	0.7	1.0	1.6	2.3
b) On fully diluted basis	0.7	1.0	1.6	2.3

The above computation for Q2 2014 and Q2 2013 was based on 255,157,000 shares respectively.



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7. **Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31 Dec 2013	30 Jun 2013	31 Dec 2013	30 Jun 2013
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	82.1	83.0	76.2	75.0
No. of shares in computing NAV ('000)	255,157	255,157	255,157	255,157

8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**
(a) any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
(b) any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.

Financial performance review Q2 and 1H 2013-14

Revenue

The Group's revenue decreased by 22% from S\$144.3 million in Q2 FY2013 to S\$112.0 million in Q2 FY2014. This was mainly due to revenue decrease in project works from the Middle East and Singapore. The decrease was partly offset by an increase in maintenance segment resulted from higher maintenance activities.

Cost of sales

As revenue decrease, the Group's cost of sales decreased by 30% from S\$124.3 million in Q2 FY2013 to S\$87.6 million in Q2 FY2014. The decrease was mainly due to decrease in labour cost and materials cost resulted from completion of some project works in earlier quarters.

Gross profit and gross profit margin

The Group's gross profit increased by S\$4.4 million from S\$20.0 million in Q2 FY2013 to S\$24.4 million in Q2 FY2014 and the Group's gross profit margin increased from 14% to 22%.

The increase was mainly due to claims for past variation works for project work which were recognised in this quarter.

Other operating income

Other operating income decreased by S\$1.0 million from S\$2.0 million in Q2 FY2012 to S\$1.0 million in Q2 FY2013. This was mainly due to gain on disposal of asset held for sale (leasehold land and fabrication facilities) in Q2 FY2013.



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Administrative expenses

Administrative expenses increased by S\$0.6 million from S\$7.1 million in Q2 FY2013 to S\$7.7 million in Q2 FY2014. The increase was mainly due to increase in salary cost, utilities, legal and professional fees.

Other operating expenses

Other operating expenses increased by S\$1.7 million from S\$12.4 million in Q2 FY2013 to S\$14.1 million in Q2 FY2014. This was mainly due to increase in accommodation costs arising from increased monthly rent of dormitories, depreciation, rental and maintenance of equipment and work space, travelling, training and medical expenses.

Finance expenses

There was no significant change between the correspondence quarters.

Share of results of associates and joint venture

Share of result of associates was mainly due to share of result from PEC Thailand.
Share of result of joint ventures in Q2 FY2014 was mainly due to share of result from CTS.

Taxation

The effective tax rate increased from 7.5% in Q2 FY2013 to 28.8% in Q2 FY2014. This was mainly attributable to losses in overseas entities. Upon consolidation, these loss making entities reduced the overall profitability of the Group, and therefore increased the effective tax rate.

Profit attributable to shareholders and Non-controlling interest

The Group's profit attributable to shareholders decreased by S\$0.9 million from S\$2.6 million in Q2 FY2013 to S\$1.7 million in Q2 FY2014. This was mainly due to increase in Group's gross profit offset by decrease in other operating income and increase in administrative, and other operating expenses.



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Balance Sheet Review

There was no significant change for non-current assets in both quarters.

The Group's current assets decreased by S\$19.7 million to S\$221.4 million in 1H 2014. This was mainly due to decrease in contracts-in-progress and trade receivables which partly offset by an increase in prepayment, other receivables and deposits.

The Group's current liabilities decreased by S\$19.0 million to S\$107.5 million in 1H 2014. This was mainly due to decrease in trade payables, other payables and accruals which partly offset by increase in progress billings in excess of costs and income tax payable.

The Group's non-current liabilities increased by S\$2.3 million to S\$8.4 million in 1H 2014. This was mainly due to increase in loans and borrowings.

Cash Flow Review

Cash generated from operating activities for the Group in 1H 2014 was S\$11.6 million after deduction of income tax payment of S\$0.9 million.

Net cash used in investing activities for the Group in 1H 2014 was S\$5.5 million. This was mainly attributable to new flatted factory, purchase of construction equipment and motor vehicles to support the operation.

The Group had used S\$5.4 million in financing activities in 1H 2014 which was mainly due to dividends paid to shareholders of S\$6.4 million partly offset by borrowings of S\$1.7 million.

As a result of the above, there was an increase in cash and cash equivalents of S\$0.7 million from S\$80.1 million in FY2013 to S\$80.8 million in 1H 2014.



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

Not Applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

Although the operating environment in the process industry remains challenging, the Group remained profitable for the six months ended 31 December 2013 (1H 2014). The Group is in the process of streamlining our operations so that we can improve our competitiveness and better service clients in existing and other targeted markets.

Moving ahead, the Group will continue to pursue contracts in Asia and the Middle East. However, it remains selective in bidding for new project works to ensure profitability.

As at 31 December 2013, the Group's orderbook stood at S\$179.0 million, excluding maintenance contracts.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

NIL

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

NIL

(c) Date payable

Not applicable

(d) Books closure date

Not Applicable

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

No interim dividend has been declared/recommended.

13. Interested person transaction

No general mandate has been obtained from shareholders for interested person transaction.

14. Confirmation

The Directors of the Company confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the second quarter financial results to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Edna Ko Poh Thim
Executive Chairman
12th February 2014