PEC LTD.

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Co. Reg. No: 198200079M

SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2014

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 31 December 2014.

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 2014:

	Q2 2015	Group Q2 2014 (restated)	Change	1H 2015	Group 1H 2014 (restated)	Change
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	132,064	114,184	16%	242,876	220,776	10%
Cost of sales	(108,228)	(89,722)	21%	(195,615)	(172,007)	14%
Gross profit	**23,836**	**24,462**	**(3%)**	**47,261**	**48,769**	**(3%)**
Gross profit margin	18%	21%		19%	22%	
Other operating income	1,238	951	30%	2,069	1,767	17%
Administrative expenses	(6,957)	(7,933)	(12%)	(14,830)	(16,216)	(9%)
Other operating expenses	(15,655)	(14,192)	10%	(29,191)	(28,244)	3%
Finance expenses	(137)	(71)	93%	(239)	(263)	(9%)
Share of results of associates	298	113	164%	649	242	168%
Share of results of joint ventures	-	(96)	(100%)	-	(110)	(100%)
Profit before taxation	**2,623**	**3,234**	(19%)	**5,719**	**5,945**	(4%)
Income tax	(320)	(939)	(66%)	(1,026)	(2,513)	(59%)
Profit after taxation	**2,303**	**2,295**	0%	**4,693**	**3,432**	37%
Attributable to:						
Equity holders of the Company	1,929	1,736	11%	3,992	4,126	(3%)
Non-controlling interests	374	559	(33%)	701	(694)	NM
	2,303	**2,295**	0%	**4,693**	**3,432**	37%
Other comprehensive income:						
Items *that may be reclassified subsequently to profit or loss:*						
Net change in fair value reserve	(7)	-	NM	(5)	1	NM
Net effect of exchange differences	1,155	684	69%	1,522	62	2355%
Total other comprehensive income for the year, net of tax	1,148	684	68%	1,517	63	2308%
Total comprehensive income for the year	**3,451**	**2,979**	16%	**6,210**	**3,495**	78%
Total comprehensive income attributable to:						
Equity holders of the Company	2,874	2,330	23%	5,197	4,151	25%
Non-controlling interests	577	670	(14%)	1,013	(656)	NM
	3,451	**3,000**	15%	**6,210**	**3,495**	78%

Denotes: NM – not meaningful

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

	Group		Group	
	Q2 2015	Q2 2014 (restated)	1H 2015	1H 2014 (restated)
	S$'000	S$'000	S$'000	S$'000
Amortisation of land use rights	(5)	(6)	(10)	(12)
Amortisation of intangible assets	(38)	(8)	(75)	(16)
Depreciation of property, plant and equipment	(3,690)	(3,395)	(7,198)	(6,680)
Write back of trade receivables, net	719	76	934	4
Bad debts	1	-	-	(1)
Interest expense	(108)	(69)	(172)	(141)
Exchange (loss)/gain, net	(155)	(412)	141	(161)
(Loss)/gain on disposal of property, plant and equipment	(2)	67	54	43
Interest income	123	178	226	288
Sundry income	213	578	464	1,186

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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 2014	30 Jun 2014 (restated)	31 Dec 2014	30 Jun 2014 (restated)
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	97,887	99,037	59,066	61,946
Investment property	7,208	7,293	-	-
Investment securities	39	44	39	44
Investment in subsidiaries	–	–	29,610	29,610
Investment in associates	3,992	3,588	354	354
Intangible assets	2,161	2,240	182	202
Land use rights	742	670	–	–
Prepayments	2,534	2,285	2,534	2,285
Deferred tax assets	662	394	-	-
Amounts due from subsidiaries	–	–	12,140	12,140
	115,225	115,551	103,925	106,581
Current assets				
Contracts-in-progress (net of progress billings)	95,897	62,300	53,661	41,661
Inventories	582	575	–	–
Trade receivables	89,832	69,306	59,088	45,113
Other receivables and deposits	6,192	5,606	2,557	2,491
Prepayments	3,222	3,417	935	677
Amounts due from subsidiaries	–	–	12,666	15,140
Bank deposits pledged	202	202	-	–
Cash and short term deposits	51,747	82,310	20,784	48,268
	247,674	223,716	149,691	153,350
Total Assets	**362,899**	**339,267**	**253,616**	**259,931**
EQUITIES AND LIABILITIES				
Current liabilities				
Progress billings in excess of costs	1,747	3,470	-	75
Trade payables	41,704	29,119	19,803	17,160
Other payables and accruals	64,864	60,999	27,031	33,435
Provisions	3,778	3,743	1,792	1,734
Loan and borrowings	12,131	4,279	24	–
Income tax payable	2,354	2,411	1,796	2,098
	126,578	104,021	50,446	54,502
Net current assets	**121,096**	**119,695**	**99,245**	**98,848**
Non-current liabilities				
Provisions	1,593	1,593	1,238	1,238
Loans and borrowings	5,353	5,525	104	–
Deferred tax liabilities	3,042	2,903	1,434	1,434
	9,988	10,021	2,776	2,672
Total Liabilities	**136,566**	**114,042**	**53,222**	**57,174**
Net assets	**226,333**	**225,225**	**200,394**	**202,757**
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	21	26	21	26
Retained earnings	156,973	158,084	141,892	144,250
Premium paid on acquisition of non-controlling interests	(2,764)	(2,764)	–	–
Foreign currency translation reserve	148	(1,063)	–	–
	213,944	**213,849**	**200,394**	**202,757**
Non-controlling interests	12,389	11,376	–	–
Total Equity	**226,333**	**225,225**	**200,394**	**202,757**
Total equity and liabilities	**362,899**	**339,267**	**253,616**	**259,931**

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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 2014		As at 30 June 2014	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
12,131	–	4,279	–

Amount repayable after one year

As at 31 Dec 2014		As at 30 June 2014	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
5,353	–	5,525	–

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 2015	1H 2014 (restated)
	S$'000	S$'000
Cash flows from operating activities		
Profit before taxation	5,719	5,945
Adjustments for:		
Depreciation of property, plant and equipment	7,198	6,680
Depreciation of investment property	43	-
Gain on disposal of property, plant and equipment	(54)	(43)
Write back of trade receivables, net	(934)	(4)
Gain loss on disposal of intangible asset	1	-
Provision, net	35	132
Currency realignment	581	200
Amortisation of land use rights	10	12
Amortisation of intangible assets	75	16
Share of results of associates	(649)	(242)
Share of results of joint ventures	-	110
Interest income	(226)	(288)
Interest expense	172	141
Operating cash flows before working capital changes	**11,971**	**12,659**
(Increase)/decrease in contracts-in-progress	(35,320)	17,883
Increase in inventories	(7)	(113)
(Increase)/decrease in trade and other receivables, and prepayments	(20,233)	262
Increase/(decrease) in trade and other payables and accruals, and provision	16,451	(18,814)
Cash flows (used in)/generated from operations	**(27,138)**	**11,877**
Tax paid	(1,211)	(943)
Interest paid	(172)	(141)
Interest received	226	288
Net cash flows (used in)/generated from operating activities	**(28,295)**	**11,081**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	423	443
Net cash outflow on acquisition of a subsidiary	-	(1,608)
Dividend income from associate	245	245
Proceeds from disposal of intangible assets	2	-
Acquisition of land use rights	(42)	-
Purchase of property, plant and equipment	(5,344)	(6,233)
Net cash flows used in investing activities	**(4,716)**	**(7,153)**
Cash flows from financing activities		
Proceed from borrowings	7,551	4,296
Proceeds from dilution of interest in a subsidiary	-	(50)
Investment by subsidiary's minority shareholders	-	25
Dividends paid to non-controlling interests	-	(676)
Dividends paid on ordinary shares	(5,103)	(6,379)
Net cash flows generated from/(used in) financing activities	**2,448**	**(2,784)**
Net (decrease)/increase in cash & cash equivalents	**(30,563)**	**1,144**
Cash & cash equivalents at beginning of the period	**82,512**	**80,149**
Cash & cash equivalents at end of the period	**51,949**	**81,293**

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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 2014 (As previously stated)	**58,481**	**1,085**	**158,250**	**26**	**(2,764)**	**(1,042)**	**214,036**	**11,530**	**225,566**
Cumulative effect of adopting of FRS 110	–	–	(166)	–	–	(21)	(187)	(154)	(341)
At 1 July 2014 (As restated)	**58,481**	**1,085**	**158,084**	**26**	**(2,764)**	**(1,063)**	**213,849**	**11,376**	**225,225**
Total comprehensive income	–	–	2,063	2	–	258	2,323	436	2,759
At 30 September 2014	**58,481**	**1,085**	**160,147**	**28**	**(2,764)**	**(805)**	**216,172**	**11,812**	**227,984**
Total comprehensive income	–	–	1,929	(7)	–	953	2,875	577	3,452
Dividends on ordinary shares	–	–	(5,103)	–	–	–	(5,103)	–	(5,103)
At 31 December 2014	**58,481**	**1,085**	**156,973**	**21**	**(2,764)**	**148**	**213,944**	**12,389**	**226,333**

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 (As previously stated)	**58,481**	**1,085**	**155,542**	**28**	**(2,698)**	**(719)**	**211,719**	**11,635**	**223,354**
Cumulative effect of adopting of FRS 110			(167)			(21)	(188)	(167)	(355)
At 1 July 2013 (As restated)	**58,481**	**1,085**	**155,375**	**28**	**(2,698)**	**(740)**	**211,531**	**11,468**	**222,999**
Total comprehensive income	–	–	2,390	1	–	(570)	1,821	(1,326)	495
At 30 September 2013	**58,481**	**1,085**	**157,765**	**29**	**(2,698)**	**(1,310)**	**213,352**	**10,142**	**223,494**
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**	**153,150**	**29**	**(2,764)**	**(721)**	**209,260**	**10,134**	**219,394**

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COMPANY	Share Capital	Retained earnings	Fair value reserve	Total
	S$'000	S$'000	S$'000	S$'000
At 1 July 2014	**58,481**	**144,250**	**26**	**202,757**
Total comprehensive income	–	2,758	2	2,760
At 30 September 2014	**58,481**	**147,008**	**28**	**205,517**
Total comprehensive income	–	(13)	(7)	(20)
Dividends on ordinary shares	–	(5,103)	–	(5,103)
At 31 December 2014	**58,481**	**141,892**	**21**	**200,394**

COMPANY	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**

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 treasure 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.

	Number of Shares	
Issued and fully paid ordinary shares:	As at 31 Dec 2014	As at 31 Dec 2013
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 2014	As at 30 June 2014
Total number of issued shares excluding treasury shares	255,157,000	255,157,000

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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

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.

Except for the adoption of FRS110, 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 2014.

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.

In accordance with the requirements of FRS110, an associate company, PEC Thailand has been consolidated into the Group with effect from financial periods beginning 1 July 2013.

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 2015	**Q2 2014**	**1H 2015**	**1H 2014**
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	0.8	0.7	1.6	1.6
b) On fully diluted basis	0.8	0.7	1.6	1.6

The above computation for Q2 2015 and Q2 2014 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 2014	30 Jun 2014	31 Dec 2014	30 Jun 2014
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	83.8	83.8	78.5	79.5
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 2014-15

Revenue

The Group's revenue increased by 10% from S$220.8 million in 1H FY2014 to S$242.9 million in 1H FY2015. This was mainly due to an increase in revenue from both project works and maintenance services in Q2 FY 2015.

Cost of sales

The Group's cost of sales increased from S$172.0 million in 1H FY 2014 to S$195.6 million in 1H FY2015 due to revenue increase. The increase was mainly due to production labour cost as a result of headcount increase, materials purchase and rental of construction equipment and vehicles for project works.

Gross profit and gross profit margin

The Group's gross profit decreased by S$1.5 million from S$48.8 million in 1H FY2014 to S$47.3 million in 1H FY2015. This was mainly due to decrease in profit contribution from project works as a result of the competitive operating environment.

Other operating income

Other operating income increased by S$0.3 million from S$1.8 million in 1H FY2014 to S$2.1 million in 1H FY2015. This was mainly due to write back of provision of doubtful debt which was offset by a decrease in sundry income.

Administrative expenses

Administrative expenses decreased by S$1.4 million from S$16.2 million in 1H FY2014 to S$14.8 million in 1H FY2015, mainly due to a reduction in overhead costs resulting from the integration of administrative functions.

Other operating expenses

Other operating expenses increased by S$1.0 million from S$28.2 million in 1H FY2014 to S$29.2 million in 1H FY2015. The increase was mainly due to higher depreciation, employee welfare expenses and cost of personal protective equipment. The increase was offset by a decrease in workers accommodation cost.

Taxation

The effective tax rate decreased from 42.3% in 1H FY2014 to 17.9% in 1H FY2015 as the loss making overseas entities turned profitable this year. Upon consolidation, these loss making entities increased the effective tax rate in 1H FY2014.

Balance Sheet Review

The Group's current assets increased by S$23.9 million to S$247.6 million in 1H2015. This was mainly due to increase in:-

1) contract-in-progress as a result of delays in billing, pending client certification on progress claims and variation orders.
2) trade receivables arising from progress billing from project works and maintenance services. The delay in payment on some overdue invoices also contributed to the increase in trade receivables.

These resulted in a decrease in cash and cash equivalents.

The Group's current liabilities increased by S$22.6 million to S$126.6 million in 1H2015. This was mainly due to increase in trade payables, other payables and accruals, loan and borrowing. The increase in loan and borrowings was mainly due to bank financing for overseas project works.

Cash Flow Review

Cash used in operating activities for the Group in 1H2015 was S$28.3 million after deduction of income tax payment of S$1.2 million.

Net cash used in investing activities for the Group in 1H2015 was S$4.7 million. This was mainly attributable to partial payment for property at Neythal Road, purchase of construction equipment, motor vehicles and office equipment to support the business operation.

The Group had generated S$2.4 million from financing activities in 1H2015 which was mainly due to proceeds from borrowings, offset by dividends paid to shareholders.

As a result of the above, there was a decrease in cash and cash equivalents of S$30.6 million from S$82.5 million in FY2014 to S$51.9 million in 1H2015.

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.

The operating environment for the process industry remains highly competitive resulting in pressure on margins.

While the outlook for oil prices is uncertain, it has not adversely affected the Group's business thus far, and the Group remains cautiously optimistic about opportunities in Asia and the Middle East.

As at 31 December 2014, the Group's orderbook stood at S$178 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 2015