PEC LTD.

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

FIRST QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 SEPTEMBER 2015

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 30 September 2015.

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 period ended 30 September 2015 (Q1 2016):

	Group		
	Q1 2016	Q1 2015	Change
	S$'000	S$'000	%
Revenue	162,268	110,812	46%
Cost of sales	(136,754)	(87,387)	56%
Gross profit	**25,514**	**23,425**	**9%**
Gross profit margin	16%	21%	
Other operating income	715	831	(14%)
Administrative expenses	(7,327)	(7,873)	(7%)
Other operating expenses	(14,360)	(13,535)	6%
Finance expenses	(277)	(102)	172%
Share of results of associates	24	351	(93%)
Share of results of joint ventures	-	-	#DIV/0!
Profit before taxation	**4,289**	**3,097**	38%
Income tax	(822)	(706)	16%
Profit after taxation	**3,467**	**2,391**	45%
Attributable to:			
Equity holders of the Company	3,044	2,063	48%
Non-controlling interests	423	328	29%
	3,467	**2,391**	45%
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value reserve	(2)	2	NM
Net effect of exchange differences	916	367	150%
Total other comprehensive income for the year, net of tax	914	369	148%
Total comprehensive income for the year	**4,381**	**2,760**	59%
Total comprehensive income attributable to:			
Equity holders of the Company	4,006	2,324	72%
Non-controlling interests	375	436	(14%)
	4,381	**2,760**	59%

Denotes: NM – not meaningful

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

	Group	
	Q1 2016	**Q1 2015**
	S$'000	**S$'000**
Amortisation of land use rights	(6)	(5)
Amortisation of intangible assets	(37)	(37)
Depreciation of property, plant and equipment	(3,469)	(3,508)
Depreciation of investment property	(47)	(43)
(Allowance)/write back of trade receivables, net	(1,619)	215
Impairment of accrued income	(580)	–
Bad debts	–	(1)
Interest expense	(202)	(64)
Exchange gain, net	1,039	296
(Loss)/gain on disposal of property, plant and equipment, net	(24)	56
Interest income	138	103
Sundry income	380	251

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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	
	30 Sep 2015	30 Jun 2015	30 Sep 2015	30 Jun 2015
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	99,502	97,985	53,471	55,222
Investment property	7,693	7,956	–	–
Investment securities	32	35	32	35
Investment in subsidiaries	–	–	31,982	29,390
Investment in associates	4,665	4,641	354	354
Intangible assets	2,050	2,087	158	167
Land use rights	754	750	–	–
Prepayments	2,534	2,534	2,534	2,534
Deferred tax assets	1,464	1,182	957	635
Amounts due from a subsidiary	–	–	13,140	12,540
	118,694	117,170	102,628	100,877
Current assets				
Assets held for sale	1,193	2,081	–	–
Contracts-in-progress (net of progress billings)	17,849	35,450	10,116	5,314
Accrued income	30,502	24,995	21,756	17,614
Inventories	908	726	–	–
Trade receivables	93,369	97,299	36,891	48,927
Other receivables and deposits	17,257	10,945	2,079	2,397
Prepayments	3,119	2,775	1,022	599
Amounts due from subsidiaries	–	–	10,732	11,072
Bank deposits pledged	348	348	–	–
Cash and short term deposits	123,702	113,827	43,522	47,515
	288,247	288,446	126,118	133,438
Total Assets	**406,941**	**405,616**	**228,746**	**234,315**
EQUITIES AND LIABILITIES				
Current liabilities				
Progress billings in excess of costs	47,330	45,091	1,633	961
Trade payables	36,424	39,567	13,934	19,031
Other payables and accruals	68,382	67,251	29,282	26,477
Provisions	3,060	2,796	1,781	1,756
Loans and borrowings	12,904	16,787	24	24
Income tax payable	2,068	1,108	696	696
	170,168	172,600	47,350	48,945
Net current assets	**118,079**	**115,846**	**78,768**	**84,493**
Non-current liabilities				
Provisions	1,363	1,363	1,238	1,238
Loans and borrowings	11,117	12,027	85	91
Deferred tax liabilities	1,252	1,264	–	–
	13,732	14,654	1,323	1,329
Total Liabilities	**183,900**	**187,254**	**48,673**	**50,274**
Net assets	**223,041**	**218,362**	**180,073**	**184,041**
Equity attributable to equity holders of the Company				
Share capital	58,481	58,481	58,481	58,481
Treasury shares	(374)	–	(374)	–
Statutory reserve	1,085	1,085	–	–
Fair value reserve	15	17	15	17
Retained earnings	150,262	147,218	121,951	125,543
Premium paid on acquisition of non-controlling interests	(2,764)	(2,764)	–	–
Foreign currency translation reserve	1,955	991	–	–
	208,660	**205,028**	**180,073**	**184,041**
Non-controlling interests	14,381	13,334	–	–
Total Equity	**223,041**	**218,362**	**180,073**	**184,041**
Total equity and liabilities	**406,941**	**405,616**	**228,746**	**234,315**

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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 30 Sep 2015		As at 30 June 2015	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
12,904	–	16,787	–

Amount repayable after one year

As at 30 Sep 2015		As at 30 June 2015	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
11,117	–	12,027	–

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	
	Q1 2016	Q1 2015
	S$'000	S$'000
Cash flows from operating activities		
Profit before taxation	4,290	3,097
Adjustments for:		
Depreciation of property, plant and equipment	3,469	3,508
Depreciation of investment property	47	43
Loss/(gain) on disposal of property, plant and equipment	24	(56)
Gain on disposal of asset held for sale	(108)	–
Allowance/(write back) of trade receivables, net	1,619	(215)
Gain on disposal of intangible asset	–	1
Impairment of accrued income	580	–
Provision, net	264	245
Currency realignment	569	(266)
Amortisation of land use rights	6	5
Amortisation of intangible assets	37	37
Share of results of associates	(24)	(351)
Interest income	(138)	(103)
Interest expense	202	64
Operating cash flows before working capital changes	**10,837**	**6,009**
Decrease/(increase) in contracts-in-progress	19,840	(18,384)
Increase in accrued income	(6,087)	(2,889)
Increase in inventories	(182)	–
(Increase)/decrease in trade and other receivables, and prepayments	(4,346)	14,736
Decrease in trade and other payables and accruals, and provision	(2,013)	(353)
Cash flows generated from/(used in) operations	**18,049**	**(881)**
Tax paid	(155)	(255)
Interest paid	(202)	(64)
Interest received	138	103
Net cash flows generated from/(used in) operating activities	**17,830**	**(1,097)**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and	33	302
Proceeds from disposal of intangible assets	–	3
Proceeds from disposal of asset held for sale	997	–
Acquisition of land use rights	–	(41)
Purchase of property, plant and equipment	(1,003)	(2,438)
Net cash flows generated from/(used in) investing activities	**27**	**(2,174)**
Cash flows from financing activities		
Proceed from borrowings, net	(7,789)	1,333
Purchase of treasury shares	(374)	–
Net cash flows (used in)/generated from financing activities	**(8,163)**	**1,333**
Net increase/(decrease) in cash & cash equivalents	**9,694**	**(1,938)**
Effect of exchange rate changes on cash and cash equivalents	23	272
Cash & cash equivalents at beginning of the period	**113,007**	**82,203**
Cash & cash equivalents at end of the period	**122,724**	**80,537**

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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	Treasury shares	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$'000	S$'000
At 1 July 2015	**58,481**	**–**	**1,085**	**147,218**	**17**	**(2,764)**	**991**	**205,028**	**13,334**	**218,362**
Additional investment by non-controlling interest	–	–	–	–	–	–	–	–	672	672
Purchase of treasury shares	–	(374)	–	–	–	–	–	(374)	–	(374)
Total comprehensive income	–	–	–	3,044	(2)	–	964	4,006	375	4,381
At 30 September 2015	**58,481**	**(374)**	**1,085**	**150,262**	**15**	**(2,764)**	**1,955**	**208,660**	**14,381**	**223,041**

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	**58,481**	**1,085**	**159,206**	**26**	**(2,764)**	**(1,156)**	**214,878**	**11,376**	**226,254**
Total comprehensive income	–	–	2,063	2	–	259	2,324	436	2,760
At 30 September 2014	**58,481**	**1,085**	**161,269**	**28**	**(2,764)**	**(897)**	**217,202**	**11,812**	**229,014**

COMPANY	Share Capital	Treasury shares	Retained earnings	Fair value reserve	Total
	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2015	**58,481**	**–**	**125,543**	**17**	**184,041**
Total comprehensive income	–	–	(3,592)	(2)	(3,594)
Purchase of treasury share	–	(374)	–	–	(374)
At 30 September 2015	**58,481**	**(374)**	**121,951**	**15**	**180,073**

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**

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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 30 Sep 2015	As at 30 Sep 2014
As at beginning of period	255,157,000	255,157,000
Purchase of treasury shares	(900,000)	-
As at end of period	254,257,000	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 30 Sep 2015	As at 30 June 2015
Total number of issued shares excluding treasury shares	254,257,000	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

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 2015.

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.

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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	
	Q1 2016	**Q1 2015**
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	1.2	0.8
b) On fully diluted basis	1.2	0.8

The above computation for Q1 2016 and Q1 2015 was based on 254,415,043 and 255,157,000 shares respectively.

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	
	30 Sep 2015	**30 Jun 2015**	**30 Sep 2015**	**30 Jun 2015**
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	82.1	80.4	70.8	72.1
No. of shares in computing NAV ('000)	254,257	255,157	254,257	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 Q1 FY2015-16

Revenue

The Group's revenue increased by 46% from S$110.8 million in Q1 FY2015 to S$162.3 million in Q1 FY2016. This was mainly due to an increase in revenue from overseas project works.

Cost of sales

The Group's cost of sales increased from S$87.4 million in Q1 FY2015 to S$136.8 million in Q1 FY2016 due to higher volume of project works. The increase was mainly due to subcontractors charges and materials purchase for the overseas project works.

Gross profit and gross profit margin

The Group's gross profit increased by S$2.1 million from S$23.4 million in Q1 FY2015 to S$25.5 million in Q1 FY2016. This was mainly due to a higher contribution from overseas project works. The decrease in Group's profit margin from 21% in Q1 FY2015 to 16% in Q1 FY2016 was mainly attributable to the competitive operating environment.

Other operating income

Other operating income decreased by S$0.1 million from S$0.8 million in Q1 FY2015 to S$0.7 million in Q1 FY2016. This was mainly due to write back of provision of doubtful debt in Q1 FY2015 which was offset by an increase in sundry income in Q1 FY2016.

Administrative expenses

Administrative expenses decreased by S$0.5 million from S$7.8 million in Q1 FY2015 to S$7.3 million in Q1 FY2016, mainly due to a reduction in overhead costs resulting from the integration of administrative functions.

Other operating expenses

Other operating expenses increased by S$0.8 million from S$13.5 million in Q1 FY2015 to S$14.4 million in Q1 FY2016. The increase was mainly due to allowance doubtful debts and impairment on accrual income arising from Jurong Aromatics Corporation. The increase was offset by gain on exchange, decrease in employee welfare expenses and cost of personal protective equipment.

Taxation

The effective tax rate decreased from 22.8% in Q1 FY2015 to 19.1% in Q1 FY2016. The decrease was mainly attributable to a higher proportion of profit from overseas projects located in a tax free zone.

Balance Sheet Review

The Group's non current assets increased by S$1.5 million to S$ 118.7 million in Q1 FY2016. This was mainly due to purchase of property, plant and equipment, and an increase in deferred tax assets.

The Group's current assets decreased by S$0.2 million to S$288.2 million in Q1 FY2016. This was mainly due to decrease in assets held for sale, contract-in-progress and trade receivables. The decrease was offset by increase in other receivables and deposit, cash and short term deposits.
The increase in other receivables and deposit was mainly related to advance payment to subcontractors and suppliers for overseas project works.

The Group's current liabilities decreased by S$2.4 million to S$170.2 million in Q1 FY2016. This was mainly due to decrease in trade payables, loan and borrowing. The decrease was offset by an increase in progress billing in excess of costs, other payables and accruals, and income tax payable.

Cash Flow Review

Net cash generated from operating activities for the Group in Q1 FY2016 was S$17.8 million.

The Group had used S$1.0 million in investment in property, purchase of construction equipment, motor vehicles and office equipment to support the business operation. This was partly offset by proceeds from disposal of assets held for sale.

The Group had used S$8.2 million in financing activities in Q1 FY2016 which was mainly due to purchase of treasury shares and repayment of loan and borrowings.

As a result of the above, there was an increased in cash and cash equivalents of S$9.7 million from S$113.0 million in FY2015 to S$122.7 million in Q1 FY2016.

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 in Singapore remains difficult. Oil companies here have continued to reduce and/or defer capital spending and tighten operational costs in view of the low oil price environment. These have given rise to keener competition as the pipeline of potential contracts is expected to reduce, resulting in pressure on margins and profitability.

While energy companies reduce capital spending in Asia, North America and Europe, investment opportunities are expected to arise in the Middle East. The Group has been actively marketing its engineering capabilities and solutions to the region, and is currently working on three major contracts in the Middle East.

Moving forward, we will focus on executing our existing projects well, while managing our costs prudently. We will also step up efforts to build our project pipeline from targeted markets in the Middle East and Asia.

As at 30 September 2015, the Group's order book stood at S$315.0 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.

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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 first quarter financial results to be false or misleading in any material aspect.

The Company is in the process of procuring an undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) as required by Rule 720(1).

BY ORDER OF THE BOARD
Edna Ko Poh Thim
Executive Chairman
12th November 2015