PEC LTD.

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

THIRD QUARTER FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 MARCH 2018

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 31 March 2018.

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 third quarter ("Q3") and nine months ("9M") ended 31 March 2018:

	Group			Group		
	Q3 2018	**Q3 2017**	**Change**	**9M 2018**	**9M 2017**	**Change**
	S$'000	**S$'000**	**%**	**S$'000**	**S$'000**	**%**
Revenue	95,608	110,897	(14%)	247,436	312,297	(21%)
Cost of sales	(74,503)	(93,627)	(20%)	(186,932)	(257,407)	(27%)
Gross profit	**21,105**	**17,270**	**22%**	**60,504**	**54,890**	**10%**
Gross profit margin	22%	16%		24%	18%	
Other operating income	514	3,134	(84%)	1,871	4,907	(62%)
Administrative expenses	(7,188)	(5,907)	22%	(20,437)	(20,966)	(3%)
Other operating expenses	(11,615)	(12,829)	(9%)	(34,712)	(30,702)	13%
Finance expenses	(144)	(120)	20%	(311)	(468)	(34%)
Share of results of associate	54	165	(67%)	281	392	(28%)
Profit before taxation	**2,726**	**1,713**	59%	**7,196**	**8,053**	(11%)
Income tax expense	(843)	(108)	681%	(1,737)	(850)	104%
Profit after taxation	**1,883**	**1,605**	17%	**5,459**	**7,203**	(24%)
Attributable to:						
Equity holders of the Company	1,271	3,097	(59%)	4,332	8,665	(50%)
Non-controlling interests	612	(1,492)	NM	1,127	(1,462)	NM
	1,883	**1,605**	17%	**5,459**	**7,203**	(24%)
Other comprehensive income:						
Items *that may be reclassified subsequently to profit or loss:*						
Net change in fair value reserve	1	(2)	NM	2	(8)	NM
Foreign currency translation	123	(1,953)	NM	(572)	(1,453)	(61%)
Total other comprehensive income for the year, net of tax	124	(1,955)	NM	(570)	(1,461)	(61%)
Total comprehensive income for the period	**2,007**	**(350)**	NM	**4,889**	**5,742**	(15%)
Total comprehensive income attributable to:						
Owners of the Company	1,340	1,379	(3%)	3,719	7,320	(49%)
Non-controlling interests	667	(1,729)	NM	1,170	(1,578)	NM
	2,007	**(350)**	NM	**4,889**	**5,742**	(15%)

Denotes: NM – not meaningful

PEC LTD.

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

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

	Group		Group	
	Q3 2018	Q3 2017	9M 2018	9M 2017
	S$'000	S$'000	S$'000	S$'000
Amortisation of land use rights	(6)	(6)	(18)	(18)
Amortisation of intangible assets	(33)	(34)	(100)	(107)
Depreciation of property, plant and equipment	(3,148)	(3,484)	(9,438)	(11,210)
Depreciation of investment property	(43)	(46)	(131)	(138)
Share-based compensation expenses	(66)	(220)	(231)	(657)
Write-back of trade receivables, net	–	118	30	280
Interest expense	(57)	(90)	(172)	(276)
Exchange (loss)/gain, net	(706)	(2,063)	(1,841)	4,039
Gain/(loss) on disposal of property, plant and equipment, net	4	9	(60)	(21)
Gain/(loss) on disposal of subsidiary	1	(359)	61	(369)
Gain on disposal of investment property	–	–	73	–
Interest income	203	263	693	905
Sundry income	(26)	2,374	459	2,662

PEC LTD.

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

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 Mar 2018	30 Jun 2017	31 Mar 2018	30 Jun 2017
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	79,215	83,723	39,902	43,123
Investment property	6,961	7,372	–	–
Investment securities	8	6	8	6
Investment in subsidiaries	–	–	41,495	41,494
Investment in an associate	5,001	4,965	354	354
Intangible assets	1,690	1,792	44	59
Land use rights	659	661	–	–
Deferred tax assets	1,108	1,102	577	577
	94,642	99,621	82,380	85,613
Current assets				
Contracts-in-progress (net of progress billings)	5,412	6,167	3,086	4,652
Accrued income	31,377	38,949	22,746	31,859
Inventories	322	277	–	–
Trade receivables	95,839	113,851	49,416	51,251
Other receivables and deposits	6,188	5,459	2,221	2,337
Prepayments	5,101	4,605	3,578	1,564
Amounts due from subsidiaries	–	–	9,326	6,966
Dividend receivable	–	–	5,108	4,988
Cash and short-term deposits	95,178	107,022	41,242	51,115
	239,417	276,330	136,723	154,732
Total Assets	**334,059**	**375,951**	**219,103**	**240,345**
EQUITIES AND LIABILITIES				
Current liabilities				
Progress billings in excess of costs	2,207	38,851	1,560	512
Trade payables	29,873	27,011	24,392	20,547
Other payables and accruals	56,408	61,981	18,319	33,710
Provisions	2,320	2,654	1,750	1,835
Loans and borrowings	721	788	30	56
Income tax payable	199	303	–	–
	91,728	131,588	46,051	56,660
Net current assets	**147,689**	**144,742**	**90,672**	**98,072**
Non-current liabilities				
Provisions	1,364	1,364	1,238	1,238
Loans and borrowings	7,892	8,713	5	68
Deferred tax liabilities	435	427	–	–
	9,691	10,504	1,243	1,306
Total Liabilities	**101,419**	**142,092**	**47,294**	**57,966**
Net assets	**232,640**	**233,859**	**171,809**	**182,379**
Equity attributable to owners of the Company				
Share capital	58,836	58,481	58,836	58,481
Treasury shares	–	(214)	–	(214)
Statutory reserve	2,579	2,553	–	–
Fair value reserve	(10)	(12)	(10)	(12)
Retained earnings	167,981	170,021	112,893	123,703
Premium paid on acquisition of non-controlling interests	(2,189)	(2,189)	–	–
Foreign currency translation reserve	(3,073)	(2,457)	–	–
Share based payment reserve	90	421	90	421
	224,214	**226,604**	**171,809**	**182,379**
Non-controlling interests	8,426	7,255	–	–
Total Equity	**232,640**	**233,859**	**171,809**	**182,379**
Total equity and liabilities	**334,059**	**375,951**	**219,103**	**240,345**

PEC LTD.

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

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 Mar 2018		As at 30 June 2017	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
721	–	788	–

Amount repayable after one year

As at 31 Mar 2018		As at 30 June 2017	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
7,892	–	8,713	–

Detail of any collateral

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

PEC LTD.

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

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	
	9M 2018	9M 2017
	S$'000	S$'000
Cash flows from operating activities		
Profit before taxation	7,196	8,053
Adjustments for:		
Depreciation of property, plant and equipment	9,438	11,210
Depreciation of investment property	131	138
Loss on disposal of property, plant and equipment, net	60	21
Gain on disposal of investment property	(73)	–
(Gain)/loss on disposal of subsidiary	(61)	369
Gain on disposal of intangible asset	–	(75)
Share-based compensation expenses	231	657
Write-back of trade receivables, net	(30)	(280)
Provision, net	(305)	(39)
Foreign exchange differences	911	(2,725)
Transfer to statutory reserve	96	–
Amortisation of land use rights	18	18
Amortisation of intangible assets	100	107
Share of results of associate	(281)	(392)
Interest income	(693)	(905)
Interest expense	172	276
Operating cash flows before working capital changes	**16,910**	**16,433**
Increase in contracts-in-progress	(44,055)	(21,226)
Decrease in accrued income	7,707	413
(Increase)/decrease in inventories	(44)	192
Decrease/(increase) in trade and other receivables and prepayments	14,089	(13,694)
Increase/(decrease) in trade and other payables and accruals and provision	6,726	(11,718)
Cash flows generated from/(used in) operations	**1,333**	**(29,600)**
Tax paid	(1,841)	(3,614)
Interest paid	(172)	(276)
Interest received	693	905
Net cash flows generated from/(used in) operating activities	**13**	**(32,585)**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	262	96
Proceeds from disposal of investment property	455	–
Proceeds from disposal of intangible assets	–	125
Net cash inflow from disposal of subsidiaries	–	22
Dividend income from associate	245	428
Purchase of property, plant and equipment	(5,458)	(3,388)
Net cash flows used in investing activities	**(4,496)**	**(2,717)**
Cash flows from financing activities		
Repayment of borrowings	(1,176)	(5,853)
Proceeds from borrowings	288	–
Changes in bank deposits pledged	–	25
Dividends paid on ordinary shares	(6,365)	(7,594)
Dividends paid to non-controlling interests	–	(1,304)
Net cash flows used in financing activities	**(7,253)**	**(14,726)**
Net decrease in cash and cash equivalents	**(11,736)**	**(50,028)**
Effect of exchange rate changes on cash and cash equivalents	(108)	1,879
Cash and cash equivalents at beginning of the period	107,022	150,562
Cash and cash equivalents at end of the period	**95,178**	**102,413**

PEC LTD.

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

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**	**Share-based compensation 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**	**S$'000**
At 1 July 2017	**58,481**	**(214)**	**2,553**	**170,021**	**(12)**	**(2,189)**	**(2,457)**	**421**	**226,604**	**7,255**	**233,859**
Total comprehensive income	–	–	–	1,361	–	–	(511)	–	850	434	1,284
Grant of performance share to employees	–	–	–	–	–	–	–	82	82	–	82
At 30 September 2017	**58,481**	**(214)**	**2,553**	**171,382**	**(12)**	**(2,189)**	**(2,968)**	**503**	**227,536**	**7,689**	**235,225**
Total comprehensive income	–	–	–	1,700	1	–	(173)	–	1,528	70	1,598
Disposal of subsidiary	–	–	(72)	–	–	–	–	–	(72)	–	(72)
Grant of performance share to employees	–	–	–	–	–	–	–	83	83	–	83
Dividends on ordinary shares	–	–	–	(6,365)	–	–	–	–	(6,365)	–	(6,365)
At 31 December 2017	**58,481**	**(214)**	**2,481**	**166,717**	**(11)**	**(2,189)**	**(3,141)**	**586**	**222,710**	**7,759**	**230,469**
Total comprehensive income	–	–	–	1,271	1	–	68	–	1,340	667	2,007
Issued new ordinary shares	355	–	–	–	–	–	–	(355)	–	–	–
Grant of performance share to employees	–	–	–	–	–	–	–	66	66	–	66
Treasury shares reissued pursuant to performance share plans	–	214	–	(7)	–	–	–	(207)	–	–	–
Transfer of statutory reserves	–	–	98	–	–	–	–	–	98	–	98
At 31 March 2018	**58,836**	**–**	**2,579**	**167,981**	**(10)**	**(2,189)**	**(3,073)**	**90**	**224,214**	**8,426**	**232,640**

PEC LTD.

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

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**	**Share-based compensation 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**	**S$'000**
At 1 July 2016	**58,481**	**(822)**	**1,085**	**163,420**	**–**	**(2,189)**	**(884)**	**301**	**219,392**	**12,915**	**232,307**
Total comprehensive income	–	–	–	1,330	(6)	–	(885)	–	439	(776)	(337)
Grant of performance share to employees	–	–	–	–	–	–	–	215	215	–	215
At 30 September 2016	**58,481**	**(822)**	**1,085**	**164,750**	**(6)**	**(2,189)**	**(1,769)**	**516**	**220,046**	**12,139**	**232,185**
Total comprehensive income	–	–	–	4,238	–	–	1,265	–	5,503	927	6,430
Grant of performance share to employees	–	–	–	–	–	–	–	222	222	–	222
Dividends on ordinary shares	–	–	–	(7,594)	–	–	–	–	(7,594)	–	(7,594)
At 31 December 2016	**58,481**	**(822)**	**1,085**	**161,394**	**(6)**	**(2,189)**	**(504)**	738	**218,177**	**13,066**	**231,243**
Total comprehensive income	–	–	–	3,097	(2)	–	(1,716)	–	1,379	(1,729)	(350)
Grant of performance share to employees	–	–	–	–	–	–	–	220	220	–	220
Share issuance expense	–	608	–	(34)	–	–	–	(574)	–	–	–
Dividend paid to non-controlling interest by subsidiaries	–	–	–	–	–	–	–	–	–	(729)	(729)
At 31 March 2017	**58,481**	**(214)**	**1,085**	**164,457**	**(8)**	**(2,189)**	**(2,220)**	384	**219,776**	**10,608**	**230,384**

PEC LTD.

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

COMPANY	Share Capital	Treasury shares	Retained earnings	Fair value reserve	Share-based compensation reserve	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2017	**58,481**	**(214)**	**123,703**	**(12)**	**421**	**182,379**
Total comprehensive income	–	–	283	–	–	283
Grant of performance share to employees	–	–	–	–	82	82
At 30 September 2017	**58,481**	**(214)**	**123,986**	**(12)**	**503**	**182,744**
Total comprehensive income	–	–	(2,722)	1	–	(2,721)
Grant of performance share to employees	–	–	–	–	83	83
Dividends on ordinary shares	–	–	(6,365)	–	–	(6,365)
At 31 December 2017	**58,481**	**(214)**	**114,899**	**(11)**	**586**	**173,741**
Total comprehensive income	–	–	(1,999)	1	–	(1,998)
Issued new ordinary shares	355	–	–	–	(355)	-
Grant of performance share to employees	–	–	–	–	66	66
Treasury shares reissued pursuant to performance share plans	–	214	(7)	–	(207)	–
At 31 March 2018	**58,836**	**–**	**112,893**	**(10)**	**90**	**171,809**

COMPANY	Share Capital	Treasury shares	Retained earnings	Fair value reserve	Share-based compensation reserve	Total
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
At 1 July 2016	**58,481**	**(822)**	**118,648**	**–**	**301**	**176,608**
Total comprehensive income	–	–	2,109	(6)	–	2,103
Grant of performance share to employees	–	–	–	–	215	215
At 30 September 2016	**58,481**	**(822)**	**120,757**	**(6)**	**516**	**178,926**
Total comprehensive income	–	–	(1,113)	–	–	(1,113)
Grant of performance share to employees	–	–	–	–	222	222
Dividends on ordinary shares	–	–	(7,594)	–	–	(7,594)
At 31 December 2016	**58,481**	**(822)**	**112,050**	**(6)**	**738**	**170,441**
Total comprehensive income	–	–	484	(2)	–	482
Grant of performance share to employees	–	–	–	–	220	220
Treasury shares reissued pursuant to performance share plans	–	608	(34)	–	(574)	–
At 31 March 2017	**58,481**	**(214)**	**112,500**	**(8)**	**384**	**171,143**

PEC LTD.

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

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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 Mar 2018	As at 31 Mar 2017
As at beginning of period	254,617,792	253,125,600
Issued new ordinary shares	557,763	-
Reissued of treasury shares	539,184	1,492,192
As at end of period	255,714,739	254,617,792

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 Mar 2018	As at 30 June 2017
Total number of issued shares excluding treasury shares	255,714,739	254,617,792

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

	Number of Shares As at 31 Mar 2018
As at beginning of period	539,208
Treasury shares reissued pursuant to share plans	(539,184)
As at end of period	24

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at end of the current financial period reported on.

Not applicable. The Company did not have subsidiary holdings as at the end of the current financial period reported on.

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 2017.

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	
	Q3 2018	Q3 2017	9M 2018	9M 2017
Weighted average number of ordinary shares for basic earnings per share computation ('000)	254,802	253,371	254,802	253,371
Effect of dilution				
-Performance share plan ('000)	1,141	2,237	1,141	2,237
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	255,943	255,608	255,943	255,608
Earnings per share (cents per share)				
- Basic	0.5	1.2	1.7	3.4
- Diluted	0.5	1.2	1.7	3.4

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 Mar 2018	30 Jun 2017	31 Mar 2018	30 Jun 2017
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	87.7	89.0	67.2	71.6
No. of shares in computing NAV ('000)	255,715	254,618	255,715	254,618

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 Q3 and 9M 2017-18

Revenue

The Group's revenue decreased by 21% from S$312.3 million in 9M FY2017 to S$247.4 million in 9M FY2018. This was mainly due to a decrease in revenue from project works following the substantial completion of projects in FY2017. The decrease was partially offset by an increase in revenue from maintenance services.

Cost of sales

The Group's cost of sales decreased by S$70.5 million from S$257.4 million in 9M FY2017 to S$186.9 million in 9M FY2018 mainly due to lower direct costs following the completion of the projects works and projects settlement.

Gross profit and gross profit margin

The Group's gross profit increased by S$5.6 million from S$54.9 million in 9M FY2017 to S$60.5 million in 9M FY2018 and gross profit margin increased from 18% in 9M FY2017 to 24% in 9M FY2018.

The increase was mainly due to additional work from maintenance services and projects settlement in 9M FY2018.

Other operating income

Other operating income decreased by S$3.0 million from S$4.9 million in 9M FY2017 to S$1.9 million in 9M FY2018. This was mainly due to decrease in grant and incentive received, interest income, GST tax refund and insurance claims in 9M FY2018.

Administrative expenses

Administrative expenses decreased by S$0.6 million from S$21.0 million in 9M FY2017 to S$20.4 million in 9M FY2018. This was mainly due to a decrease in share-based compensation expenses and general administrative expenses.

Other operating expenses

Other operating expenses increased by S$4.0 million from S$30.7 million in 9M FY2017 to S$34.7 million in 9M FY2018. The increase was mainly due to loss on currency exchange of S$1.8 million in 9M FY2018, as compared to a gain on currency exchange of S$4.0 million, primarily due to the appreciation in USD in 9M FY2017.

Largely as a result of the increased maintenance activities, there was also an increase in workforce related expenses of S$1.6 million such as workers accommodation, transport and insurance.

The increase was partly offset by a decrease in depreciation of S$1.8 million and provision of legal and settlement fee of S$1.6 million for a subsidiary, Major Insulation & Links (MIL) Marketing Pte Ltd in Q1FY2017, following a court assessment on damages claimed by the customer. The subsidiary was ordered to be wound up on 24 March 2017.

Finance expenses

Finance expenses decreased by S$0.2 million from S$0.5 million in 9M FY2017 to S$0.3 million in 9M FY2018. This was mainly due to decrease in bank charges for bank guarantee issuance and interest on loans and short-term financings.

Taxation

The effective tax rate increased from 10.6% in 9M FY2017 to 24.1% in 9M FY2018. The increase was mainly attributable to withholding tax for revenue received in Singapore from a foreign country.

Balance Sheet Review

The Group's non-current assets decreased by S$5.0 million from S$99.6 million in FY2017 to S$94.6 million in 9M FY2018. This was mainly due to decrease in investment property, property, plant and equipment.

The Group's current assets decreased by S$36.9 million from S$276.3 million in FY2017 to S$239.4 million in 9M FY2018. This was mainly due to decrease in accrued income, contracts-in-progress, trade receivables, cash and short-term deposits. The decrease was partially offset by an increase in inventories, prepayments, other receivables and deposits.

Of the S$95.8 million trade receivables as at 31 March 2018, approximately S$67.8 million relates to past due receivables. As at 10 May 2018, the Group has collected approximately S$11.2 million of the S$ 67.8 million and collections are continuing.

The Group's current liabilities decreased by S$39.9 million from S$131.6 million in FY2017 to S$91.7 million in 9M FY2018. This was mainly due to decrease in progress billings in excess of costs, provisions, income tax payable, other payables and accruals. The decrease was partially offset by an increase in trade payables.

The Group's non-current liabilities decreased by S$0.8 million from S$10.5 million in FY2017 to S$9.7 million in 9M FY2018. This was mainly due to partial loan repayment to the banks.

Cash Flow Review

Net cash generated from operating activities for the Group in 9M FY2018 was S$0.01 million.

The Group had used S$4.5 million in investing activities in 9M FY2018. This was mainly attributable to investment in industrial land in Vietnam, purchase of construction equipment, motor vehicles and office equipment to support the business operation. The amount was partially offset by dividend income from associate and proceeds from disposal of investment property.

The Group had used S$7.3 million in financing activities in 9M FY2018 which was mainly due to the repayment of bank borrowings and dividend payment to shareholders.

As a result of the above, there was a decrease in cash and cash equivalents of S$11.7 million to S$95.2 million in 9M FY2018.

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 investment climate for the oil & gas industry in Southeast Asia and the Middle East has improved from a year ago, but the immediate outlook remains challenging. While there are signs of recovery, capex spending will take some time to translate into actual orders and competition for orders remains intense. Notwithstanding this, PEC is well-positioned to leverage on a further pickup in demand, supported by its integrated project and maintenance capabilities and track record.

The Group is actively participating in several tenders and pursuing the conversion of these into new orders. At the same time, we will continue to maintain strict cost discipline and improve operational efficiency.

In Singapore, the need to upgrade refinery infrastructure is expected to drive increased demand for maintenance and turnaround activities over the medium term. Also, new investments in petrochemical and 'clean fuel' facilities in Singapore, as well as other parts of Southeast Asia will present opportunities for the Group.

The orderbook stands at S$65.0 million as at 31 March 2018, 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 transactions

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

14. Confirmation under Rule 705 (5) of the Listing Rules

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 third quarter financial statements to be false or misleading in any material aspect.

PEC LTD.

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

15. Confirmation under Rule 720 (1) of the Listing Rules

The Company has procured an undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) as required under Rule 720(1).

BY ORDER OF THE BOARD
Edna Ko Poh Thim
Executive Chairman
10th May 2018