PEC LTD.

21 Shipyard Road, Singapore 628144
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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 2015

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 31 December 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 second quarter ("Q2") and first half year ("1H") ended 31 December 2015:

	Group			Group		
	Q2 2016	Q2 2015	Change	1H 2016	1H 2015	Change
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	152,424	132,064	15%	314,692	242,876	30%
Cost of sales	(131,326)	(108,228)	21%	(268,080)	(195,615)	37%
Gross profit	**21,098**	**23,836**	**(11%)**	**46,612**	**47,261**	**(1%)**
Gross profit margin	14%	18%		15%	19%	
Other operating income	11,626	1,238	839%	12,341	2,069	496%
Administrative expenses	(8,382)	(6,957)	20%	(15,709)	(14,830)	6%
Other operating expenses	(15,573)	(15,656)	(1%)	(29,932)	(29,191)	3%
Finance expenses	(243)	(137)	77%	(520)	(239)	118%
Share of results of associates	18	298	(94%)	42	649	(94%)
Profit before taxation	**8,544**	**2,622**	226%	**12,834**	**5,719**	124%
Income tax	(1,265)	(320)	295%	(2,087)	(1,026)	103%
Profit after taxation	**7,279**	**2,302**	216%	**10,747**	**4,693**	129%
Attributable to:						
Equity holders of the Company	4,506	1,929	134%	7,550	3,992	89%
Non-controlling interests	2,773	373	643%	3,197	701	356%
	7,279	**2,302**	216%	**10,747**	**4,693**	129%
Other comprehensive income:						
Items *that may be reclassified subsequently to profit or loss:*						
Net change in fair value reserve	(11)	(7)	57%	(13)	(5)	160%
Net effect of exchange differences	(936)	1,157	NM	(21)	1,524	NM
Total other comprehensive income for the year, net of tax	(947)	1,150	NM	(34)	1,519	NM
Total comprehensive income for the year	**6,332**	**3,452**	83%	**10,713**	**6,212**	72%
Total comprehensive income attributable to:						
Equity holders of the Company	3,750	2,875	30%	7,756	5,200	49%
Non-controlling interests	2,582	577	347%	2,957	1,012	192%
	6,332	**3,452**	83%	**10,713**	**6,212**	72%

Denotes: NM – not meaningful

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

	Group		Group	
	Q2 2016	Q2 2015	1H 2016	1H 2015
	S$'000	S$'000	S$'000	S$'000
Amortisation of land use rights	(6)	(5)	(12)	(10)
Amortisation of intangible assets	(38)	(38)	(75)	(75)
Depreciation of property, plant and equipment	(3,946)	(3,647)	(7,415)	(7,155)
Depreciation of investment property	(46)	(42)	(93)	(85)
(Allowance)/write back of trade receivables, net	(698)	719	(2,317)	934
Impairment of accrued income	(121)	-	(701)	-
Interest expense	(151)	(108)	(353)	(172)
Exchange (loss)/gain, net	(468)	(155)	571	141
Gain/(loss) on disposal of property, plant and equipment, net	4,080	(2)	4,056	54
Gain on disposal of assets held for sale	5,907	-	6,015	-
Interest income	424	123	562	226
Sundry income	132	213	512	464

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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 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	97,878	97,985	51,727	55,222
Investment property	7,697	7,956	–	–
Investment securities	22	35	22	35
Investment in subsidiaries	–	–	33,389	29,390
Investment in an associate	4,438	4,641	354	354
Intangible assets	2,012	2,087	150	167
Land use rights	748	750	–	–
Prepayments	2,534	2,534	2,534	2,534
Deferred tax assets	1,147	1,182	635	635
Amounts due from a subsidiary	–	–	12,096	12,540
	116,476	117,170	100,907	100,877
Current assets				
Assets held for sale	-	2,081	–	–
Contracts-in-progress (net of progress billings)	12,305	35,450	5,638	5,314
Accrued income	27,989	24,995	14,234	17,614
Inventories	788	726	–	–
Trade receivables	99,520	97,299	51,998	48,927
Other receivables and deposits	15,469	10,945	1,819	2,397
Prepayments	3,065	2,775	831	599
Amounts due from subsidiaries	–	–	7,269	11,072
Bank deposits pledged	348	348	–	–
Cash and short term deposits	133,944	113,827	34,014	47,515
	293,428	288,446	115,803	133,438
Total Assets	**409,904**	**405,616**	**216,710**	**234,315**
EQUITIES AND LIABILITIES				
Current liabilities				
Progress billings in excess of costs	66,145	45,091	1,494	961
Trade payables	27,863	39,567	9,823	19,031
Other payables and accruals	60,963	67,251	25,353	26,477
Provisions	3,343	2,796	1,775	1,756
Loans and borrowings	11,960	16,787	25	24
Income tax payable	1,889	1,108	696	696
	172,163	172,600	39,166	48,945
Net current assets	**121,265**	**115,846**	**76,637**	**84,493**
Non-current liabilities				
Provisions	1,363	1,363	1,238	1,238
Loans and borrowings	9,871	12,027	79	91
Deferred tax liabilities	1,252	1,264	-	–
	12,486	14,654	1,317	1,329
Total Liabilities	**184,649**	**187,254**	**40,483**	**50,274**
Net assets	**225,255**	**218,362**	**176,227**	**184,041**
Equity attributable to equity holders of the Company				
Share capital	58,481	58,481	58,481	58,481
Treasury shares	(542)	–	(542)	–
Statutory reserve	1,085	1,085	–	–
Fair value reserve	4	17	4	17
Retained earnings	152,225	147,218	118,284	125,543
Premium paid on acquisition of non-controlling interests	(2,189)	(2,764)	–	–
Foreign currency translation reserve	1,210	991	–	–
	210,274	**205,028**	**176,227**	**184,041**
Non-controlling interests	14,981	13,334	–	–
Total Equity	**225,255**	**218,362**	**176,227**	**184,041**
Total equity and liabilities	**409,904**	**405,616**	**216,710**	**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 31 Dec 2015		As at 30 June 2015	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
11,960	–	16,787	–

Amount repayable after one year

As at 31 Dec 2015		As at 30 June 2015	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
9,871	–	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	
	1H 2016	1H 2015
	S$'000	S$'000
Cash flows from operating activities		
Profit before taxation	12,834	5,719
Adjustments for:		
Depreciation of property, plant and equipment	7,415	7,155
Depreciation of investment property	93	85
Gain on disposal of property, plant and equipment	(4,056)	(54)
Gain on disposal of asset held for sale	(6,015)	-
Allowance/(write back) of trade receivables, net	2,317	(934)
Gain on disposal of intangible asset	-	1
Impairment of accrued income	701	-
Provision, net	547	35
Currency realignment	272	(26)
Amortisation of land use rights	12	10
Amortisation of intangible assets	75	75
Share of results of associates	(42)	(649)
Interest income	(562)	(226)
Interest expense	353	172
Operating cash flows before working capital changes	**13,944**	**11,363**
Decrease/(increase) in contracts-in-progress	44,199	(31,438)
Increase in accrued income	(3,695)	(4,154)
Increase in inventories	(62)	(7)
Increase in trade and other receivables, and prepayments	(9,353)	(20,650)
(Decrease)/increase in trade and other payables and accruals, and provision	(17,992)	17,183
Cash flows generated from/(used in) operations	**27,041**	**(27,703)**
Tax paid	(1,284)	(1,211)
Interest paid	(353)	(172)
Interest received	562	226
Net cash flows generated from/(used in) operating activities	**25,966**	**(28,860)**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment and investment property	5,217	422
Proceeds from disposal of intangible assets	-	3
Proceeds from disposal of asset held for sale	8,097	-
Dividend income from associate	245	245
Acquisition of land use rights	-	(42)
Purchase of property, plant and equipment	(4,756)	(5,344)
Net cash flows generated from/(used in) investing activities	**8,803**	**(4,716)**
Cash flows from financing activities		
(Repayment)/proceed from borrowings, net	(9,399)	6,734
Cash outflow on acquisition of non-controlling interest	(1,406)	-
Purchase of treasury shares	(542)	-
Dividends paid on ordinary shares	(2,543)	(5,103)
Net cash flows (used in)/generated from financing activities	**(13,890)**	**1,631**
Net increase/(decrease) in cash and cash equivalents	**20,879**	**(31,945)**
Effect of exchange rate changes on cash and cash equivalents	(254)	833
Cash and cash equivalents at beginning of the period	113,007	82,203
Cash and cash equivalents at end of the period	**133,632**	**51,091**

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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**
Total comprehensive income	–	–	–	4,506	(11)	–	(745)	3,750	2,582	6,332
Acquisition of non-controlling interest	–	–	–	–	–	575	–	575	(1,982)	(1,407)
Purchase of treasury shares	–	(168)	–	–	–	–	–	(168)	-	(168)
Dividends on ordinary shares	–	–	–	(2,543)	–	–	–	(2,543)	–	(2,543)
At 31 December 2015	**58,481**	**(542)**	**1,085**	**152,225**	**4**	**(2,189)**	**1,210**	**210,274**	**14,981**	**225,255**

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**
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**	**158,095**	**21**	**(2,764)**	**56**	**214,974**	**12,389**	**227,363**

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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 shares	–	(374)	–	–	(374)
At 30 September 2015	**58,481**	**(374)**	**121,951**	**15**	**180,073**
Total comprehensive income	–	–	(1,125)	(11)	(1,136)
Purchase of treasury shares	–	(168)	–	–	(168)
Dividends on ordinary shares	–	–	(2,542)	–	(2,542)
At 31 December 2015	**58,481**	**(542)**	**118,284**	**4**	**176,227**

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**

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 2015	As at 31 Dec 2014
As at beginning of period	255,157,000	255,157,000
Purchase of treasury shares	(1,324,900)	-
As at end of period	253,832,100	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 2015	As at 30 June 2015
Total number of issued shares excluding treasury shares	253,832,100	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.

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 2016	Q2 2015	1H 2016	1H 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	1.8	0.8	3.0	1.6
b) On fully diluted basis	1.8	0.8	3.0	1.6

The above computation for Q2 2016 and Q2 2015 was based on 254,326,108 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	
	31 Dec 2015	30 Jun 2015	31 Dec 2015	30 Jun 2015
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	82.8	80.4	69.4	72.1
No. of shares in computing NAV ('000)	253,832	255,157	253,832	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 2015-16

Revenue

The Group's revenue increased by 30% from S$242.9 million in 1H FY2015 to S$314.7 million in 1H FY2016. This was mainly due to an increase in revenue from overseas project works. The increase was partially offset by a decrease in revenue from maintenance services.

Cost of sales

As revenue increased, the Group's cost of sales increased from S$195.6 million in 1H FY2015 to S$268.1 million in 1H FY2016. The increase was mainly due to subcontractors charges and materials purchase for project works.

Gross profit and gross profit margin

The Group's gross profit decreased by S$0.7 million from S$47.3 million in 1H FY2015 to S$46.6 million in 1H FY2016. This was mainly due to a decrease in profit contribution from both project works and maintenance services in Q2 FY2016.

The decrease in Group's gross profit margin from 19% in 1H FY2015 to 15% in 1H FY2016 was mainly due to a decrease in profit margin in project works arising from competitive environment

Other operating income

Other operating income increased by S$10.2 million from S$2.1 million in 1H FY2015 to S$12.3 million in 1H FY2016. This was mainly due to gain on disposal of properties and assets held for sale in 1H FY2016.

Administrative expenses

Administrative expenses increased by S$0.9 million from S$14.8 million in 1H FY2015 to S$15.7 million in 1H FY2016, This was mainly due to accrual of incentive bonus in Q2 FY2016.

Other operating expenses

Other operating expenses increased by S$0.7 million from S$29.2 million in 1H FY2015 to S$29.9 million in 1H FY2016. The increase was mainly due to allowance on doubtful debts and impairment on accrued income. The increase was partially offset by a decrease in expenses on accommodation, employee welfare and personal protective equipment.

Finance expenses

Finance expenses increased by S$ 0.3 million from S$ 0.2 million in 1H FY2015 to S$ 0.5 million in 1H FY2016. This was mainly due to an increase in bank charges and interest on loans

Taxation

The effective tax rate decreased from 17.9% in 1H FY2015 to 16.3% in 1H FY2016. The decrease was mainly attributable to capital gain on disposal of properties and a higher proportion of profit from overseas projects located in a tax free zone.

Balance Sheet Review

The Group's current assets increased by S$5.0 million overall to S$293.4 million in 1H FY2016. This was mainly due to proceeds from disposal of properties and assets and advance payment received from clients. Compared to FY2015, an improvement in billings has resulted in a decrease in contracts-in-progress by S$23.1 million, much of which has been collected and resulted in an increase in cash and cash equivalents by S$20.1 million. 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$0.4 million to S$172.2 million in 1H FY2016. This was due to a decrease in trade payables, other payables and accruals, loans and borrowings, which was partially offset by an increase in progress billings in excess of costs.

The Group's non-current liabilities decreased by S$2.2 million to S$12.5 million in 1H FY2016. This was mainly due to partial loan repayment to the banks.

Cash Flow Review

Net cash generated from operating activities for the Group in 1H FY2016 was S$26.0 million after deduction of income tax payment of S$1.3 million.

Net cash generated from investing activities for the Group in 1H FY2016 was S$8.8 million. This was mainly attributable to proceeds from disposal of properties and assets held for sale, which was partially offset by investment in property, purchase of construction equipment, motor vehicles and office equipment to support the business operation.

The Group had used S$13.9 million from financing activities in 1H FY2016 which was mainly due to the acquisition of additional shares in our Malaysian subsidiary, loan repayment and dividends payment to shareholders.

As a result of the above, there was an increase in cash and cash equivalents of S$20.9 million to S$133.6 million in 1H 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 challenging. With oil prices hitting new lows, oil companies are expected to further tighten operating expenses, and defer or cancel capital expenditure. Moreover, with the completion of several mega projects over the past few years, multinational companies in Singapore have shifted their focus to optimising their existing plants and facilities. As such, we expect fewer larger projects and increased competitive pressures.

The emergence of large storage hubs in the Middle East for the global oil trade has resulted in increased investments for bulk storage terminals and capacities are expected to grow. PEC has secured three major contracts in the United Arab Emirates (UAE) over the past two years and is well positioned to capture new project opportunities.

As at 31 December 2015, the Group's orderbook stood at S$239.7 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 pursuant to 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 second quarter financial results to be false or misleading in any material aspect.

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

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 under Rule 720(1).

BY ORDER OF THE BOARD
Edna Ko Poh Thim
Executive Chairman
5th February 2016