PEC LTD.

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

DIFFERENCES BETWEEN AUDITED RESULTS AND THE UNAUDITED FINANCIAL RESULTS FOR FINANCIAL YEAR ENDED 30 JUNE 2015 AND REDUCTION OF PROPOSED FINAL DIVIDENDS

1. Introduction

The Board of Directors (the "**Board**") of PEC LTD. (the "**Company**", and together with its subsidiaries, the "**Group**") refer to the following:

(a) the announcement dated 27 August 2015 by the Company in relation to the unaudited financial statements of the Group ("**Unaudited Results**") for the financial year ended 30 June 2015("**FY2015**") and the final dividends proposed by the Board in respect of FY2015;

(b) the announcement dated 1 October 2015 by the Company in relation to Jurong Aromatics Corporation Pte Ltd ("**JAC**"), an existing client of the Group which has been placed under receivership; and

(c) the announcement dated 7 October 2015 by the Company in relation to the net loss expected to be reported by the Group, should the Group be required to make specific provision for doubtful debts for the outstanding payment of approximately S$19 million due from JAC for services provided by the Group as at 30 June 2015.

2. Material differences between the Unaudited Results and Audited Results (as defined below)

Pursuant to Rule 704(6) of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Company wishes to inform that subsequent to the release of the Unaudited Results, there have been material differences between the Unaudited Results and the audited financial statements for FY2015 ("**Audited Results**"), arising mainly from specific provision of doubtful debts made by the Group in its FY2015 accounts for the aforementioned sum owing by JAC to the Group. Details and explanations for such differences between the Audited Results and the Unaudited Results are set out as follows:

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a) Income statement

	Group		
	Year ended 30 June 2015		
	Audited Results	Unaudited Results	Difference
	S$'000	S$'000	
Revenue	499,612	499,612	-
Cost of sales	(406,606)	(406,606)	-
Gross profit	**93,006**	**93,006**	-
Gross profit margin	19%	19%	
Other operating income	4,620	4,620	-
Administrative expenses	(26,706)	(28,230)	1,524
Other operating expenses	(78,204)	(59,891)	(18,313)
Finance expenses	(1,249)	(1,249)	-
Share of results of associates	1,298	806	492
Share of results of joint ventures	-	-	-
(Loss)/profit before taxation	**(7,235)**	**9,062**	(16,297)
Income tax credit/(expense)	1,896	(346)	2,242
(Loss)/profit after taxation	**(5,339)**	**8,716**	**(14,055)**
Attributable to:			
Equity holders of the Company	(6,885)	7,170	(14,055)
Non-controlling interests	1,546	1,546	-
	(5,339)	**8,716**	**(14,055)**
Other comprehensive income:			
Items that may be reclassified subsequently to profitor loss:			
Net change in fair value reserve	(9)	(9)	-
Net effect of exchange differences	2,559	2,559	-
Total other comprehensive income for the year, net of tax	2,550	2,550	-
Total comprehensive income for the year	**(2,789)**	**11,266**	**(14,055)**
Total comprehensive income attributable to:			
Equity holders of the Company	(4,747)	9,308	(14,055)
Non-controlling interests	1,958	1,958	-
	(2,789)	**11,266**	**(14,055)**

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b) Statement of financial position

	Group			Company		
	Audited Results	Unaudited Results	Difference	Audited Results	Unaudited Results	Difference
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
ASSETS						
Non-current assets						
Property, plant and equipment	97,985	97,985	-	55,222	55,222	-
Investment property	7,956	7,956	-	-	-	-
Investment securities	35	35	-	35	35	-
Investment in subsidiaries	-	-	-	29,390	29,390	-
Investment in associate	4,641	4,148	493	354	354	-
Intangible assets	2,087	2,087	-	167	167	-
Land use rights	750	750	-	-	-	-
Prepayments	2,534	2,534	-	2,534	2,534	-
Deferred tax assets	1,182	547	635	635	-	635
Amounts due from a subsidiary	-	-	-	12,540	12,540	-
	117,170	116,042	1,128	100,877	100,242	635
Current assets						
Assets held for sale	2,081	2,081	-	-	-	-
Contracts-in-progress (net of progress billings)	60,445	60,991	(546)	22,928	23,474	(546)
Inventories	726	726	-	-	-	-
Trade receivables	97,299	115,067	(17,768)	48,927	66,695	(17,768)
Other receivables and deposits	10,945	10,945	-	2,397	2,397	-
Prepayments	2,775	2,775	-	599	599	-
Amounts due from subsidiaries	-	-	-	11,072	11,072	-
Bank deposits pledged	348	348	-	-	-	-
Cash and short term deposits	113,827	113,827	-	47,515	47,515	-
	288,446	306,760	(18,314)	133,438	151,752	(18,314)
Total Assets	**405,616**	**422,802**	**(17,186)**	**234,315**	**251,994**	**(17,679)**
EQUITIES AND LIABILITIES						
Current liabilities						
Progress billings in excess of costs	45,091	45,091	-	961	961	-
Trade payables	39,567	46,247	(6,680)	19,031	19,031	-
Other payables and accruals	67,251	68,775	(1,524)	26,477	28,001	(1,524)
Provisions	2,796	2,796	-	1,756	1,756	-
Loans and borrowings	16,787	10,107	6,680	24	24	-
Income tax payable	1,108	1,108	-	696	696	-
	172,600	174,124	(1,524)	48,945	50,469	(1,524)
Net current assets	115,846	132,636	(16,790)	84,493	101,283	(16,790)
Non-current liabilities						
Provisions	1,363	1,363	-	1,238	1,238	-
Loans and borrowings	12,027	12,027	-	91	91	-
Deferred tax liabilities	1,264	2,871	(1,607)	-	1,607	(1,607)
	14,654	16,261	(1,607)	1,329	2,936	(1,607)
Total Liabilities	**187,254**	**190,385**	**(3,131)**	**50,274**	**53,405**	**(3,131)**
Net assets	**218,362**	**232,417**	**(14,055)**	**184,041**	**198,589**	**(14,548)**
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	17	17	-	17	17	-
Retained earnings	147,218	161,273	(14,055)	125,543	140,091	(14,548)
Premium paid on acquisition of non-controlling interests	(2,764)	(2,764)	-	-	-	-
Foreign currency translation reserve	991	991	-	-	-	-
	205,028	219,083	(14,055)	184,041	198,589	(14,548)
Non-controlling interests	**13,334**	**13,334**	**-**	-	-	**-**
Total Equity	**218,362**	**232,417**	**(14,055)**	**184,041**	**198,589**	**(14,548)**
Total equity and liabilities	**405,616**	**422,802**	**(17,186)**	**234,315**	**251,994**	**(17,679)**

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c) Statement of cash flow for the Group

	Group		
	Audited Results	**Unaudited Results**	**Difference**
	S$'000	**S$'000**	**S$'000**
Cash flows from operating activities			
(Loss)/profit before taxation	(7,235)	9,062	(16,297)
Adjustments for:			-
Depreciation of property, plant and equipment	14,646	14,646	-
Depreciation of investment property	191	191	-
Gain on disposal of property, plant and equipment and investment property	(277)	(277)	-
(Write back)/allowance of trade receivables, net	16,870	(898)	17,768
Gain on disposal of intangible asset	(192)	(192)	-
Impairment loss on property, plant and equipment	319	319	-
Impairment of contracts-in-progress	546	-	546
Provision, net	(149)	(149)	-
Currency realignment	1,073	877	196
Amortisation of land use rights	23	23	-
Amortisation of intangible assets	149	149	-
Share of results of associates	(1,298)	(806)	(492)
Share of results of joint ventures	-	-	-
Interest income	(373)	(373)	-
Interest expense	549	549	-
Operating cash flows before working capital changes	**24,842**	**23,121**	**1,721**
Decrease/(increase) in contracts-in-progress	42,657	42,657	-
Increase in inventories	(150)	(150)	-
(Increase)/decrease in trade and other receivables, and prepayments	(50,227)	(50,227)	-
Increase/(decrease) in trade and other payables and accruals, and	17,432	26,347	(8,915)
Cash flows generated from operations	**34,554**	**41,748**	**(7,194)**
Tax paid	(1,833)	(1,833)	-
Interest paid	(549)	(549)	-
Interest received	373	373	-
Net cash flows generated from operating activities	**32,545**	**39,739**	**(7,194)**
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment and investment property	2,408	2,408	-
Proceeds from disposal of joint venture	-	-	-
Net cash outflow on acquisition of non-controlling interests	-	-	-
Dividend income from associate	245	245	-
Dividend income from joint venture	-	-	-
Proceeds from disposal of intangible assets	3	3	-
Acquisition of intangible assets	-	-	-
Acquisition of land use rights	(43)	(43)	-
Advance payment to purchase property, plant and equipment	-	-	-
Purchase of investment property	-	-	-
Purchase of property, plant and equipment	(17,603)	(17,616)	13
Net cash flows used in investing activities	**(14,990)**	**(15,003)**	**13**
Cash flows from financing activities			
Proceed from borrowings, net	17,688	11,191	6,497
Changes in bank deposits pledged	(146)	(146)	-
Investment by subsidiary's minority shareholders	-	-	-
Dividends paid to non-controlling interests	-	-	-
Dividends paid on ordinary shares	(5,103)	(5,103)	-
Net cash flows generated from financing activities	**12,439**	**5,942**	**6,497**
Net increase in cash & cash equivalents	**29,994**	**30,678**	**(684)**
Effect of exchange rate changes on cash and cash equivalents	810	839	(29)
Cash & cash equivalents at beginning of the year	82,203	82,310	(107)
Cash & cash equivalents at end of the year	**113,007**	**113,827**	**(820)**

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d) Effects on Earning per share and net asset value per share

	Group		
	Year ended 30 June 2015		
	Audited Results	Unaudited Results	Difference
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	(2.7)	2.8	(5.5)
b) On fully diluted basis	(2.7)	2.8	(5.5)
Weighted average number of shares('000)	255,157	255,157	-
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	80.4	85.9	(5.5)
No. of shares in computing NAV ('000)	255,157	255,157	-

Explanatory Notes:

A. Adjustment due to impairment of debt owing by JAC to the Group

1) Administrative expenses, other payables and accruals decreased by approximately S$ 1.5 million was due to reversal of accrual for incentive bonus arising from loss incurred in FY2015 which resulted from the impairment of debt.

2) The increase in other operating expenses and decrease in contract-in-progress and trade receivables by approximately S$ 18.3 million was due to impairment of debt owing by JAC.

3) Income tax credit of S$ 1.9 million was due to adjustment of deferred tax assets and deferred tax liabilities arising from the above adjustments.

B. Other adjustment and Reclassification

1) Share of results of associate and investment in associate increased by approximately S$ 0.5 million to account for latest audited results of associate.

2) The increase in loan and borrowings of approximately S$ 6.7 million was mainly due to reclassification of trust receipts from trade payables.

The Audited Results and the report thereon by the Company's auditors will be found in the Company's annual report for FY2015 which will be issued to shareholders of the Company and released on SGXNET in due course.

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3. Reduction of proposed dividends to be declared

In view of the loss reported by the Group for FY2015 as a result of impairment of debt owing by JAC to the Group, the Board wishes to announce that the proposed final tax-exempt (one-tier) dividend to be declared for FY2015 shall be reduced to S$0.01 per share in cash from S$0.02 per share in cash (as previously announced in the Unaudited Results on 27 August 2015). The payment of the final dividend for FY2015 is subject to shareholders' approval at the upcoming annual general meeting of the Company for FY2015.

Submitted by Edna Ko Poh Thim, Executive Chairman on 12 October 2015 to the SGX-ST.