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 2014

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 30 September 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 period ended 30 September 2014 (Q1 2015):

	Q1 2015	Group Q1 2014 (restated)	Change
	S$'000	S$'000	%
Revenue	110,812	106,592	4%
Cost of sales	(87,387)	(82,285)	6%
Gross profit	**23,425**	**24,307**	**(4%)**
Gross profit margin	21%	23%	
Other operating income	831	816	2%
Administrative expenses	(7,873)	(8,283)	(5%)
Other operating expenses	(13,536)	(14,052)	(4%)
Finance expenses	(102)	(192)	(47%)
Share of results of associate	351	129	172%
Share of results of joint ventures	–	(14)	(100%)
Profit before taxation	**3,096**	**2,711**	14%
Income tax	(706)	(1,574)	(55%)
Profit after taxation	**2,390**	**1,137**	110%
Attributable to:			
Equity holders of the Company	2,063	2,390	(14%)
Non-controlling interests	327	(1,253)	NM
	2,390	**1,137**	110%
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value reserve	2	1	100%
Net effect of exchange differences	367	(599)	NM
Total other comprehensive income for the year, net of tax	369	(598)	NM
Total comprehensive income for the year	**2,759**	**539**	412%
Total comprehensive income attributable to:			
Equity holders of the Company	2,323	1,841	26%
Non-controlling interests	436	(1,302)	NM
	2,759	**539**	412%

Denotes: NM – not meaningful

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

	Group	
	Q1 2015	**Q1 2014 (restated)**
	S$'000	**S$'000**
Amortisation of land use rights	(5)	(6)
Amortisation of intangible assets	(37)	(8)
Depreciation of property, plant and equipment	(3,508)	(3,285)
Write back/(impairment) of trade receivables, net	215	(72)
Bad debts	(1)	(1)
Interest expense	(64)	(72)
Exchange gain, net	296	251
Gain/(loss) on disposal of property, plant and equipment	56	(24)
Interest income	103	110
Sundry income	251	608

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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 2014	30 Jun 2014 (restated)	30 Sep 2014	30 Jun 2014
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	98,068	99,037	60,172	61,946
Investment property	7,251	7,293	–	–
Investment securities	46	44	46	44
Investment in subsidiaries	–	–	29,610	29,610
Investment in associate	3,939	3,588	354	354
Intangible assets	2,199	2,240	191	202
Land use rights	719	670	–	–
Prepayments	2,535	2,285	2,535	2,285
Deferred tax assets	670	394	–	–
Amounts due from subsidiaries	–	–	12,140	12,140
	115,427	115,551	105,048	106,581
Current assets				
Contracts-in-progress (net of progress billings)	83,030	62,300	51,887	41,661
Inventories	575	575	–	–
Trade receivables	55,453	69,306	35,117	45,113
Other receivables and deposits	5,650	5,606	2,785	2,491
Prepayments	2,454	3,417	1,126	677
Amounts due from subsidiaries	–	–	14,749	15,140
Bank deposits pledged	202	202	–	–
Cash and short term deposits	80,736	82,310	52,334	48,268
	228,100	223,716	157,998	153,350
Total Assets	**343,527**	**339,267**	**263,046**	**259,931**
EQUITIES AND LIABILITIES				
Current liabilities				
Progress billings in excess of costs	2,927	3,470	-	75
Trade payables	28,861	29,119	18,827	17,160
Other payables and accruals	60,997	60,999	31,409	33,435
Provisions	3,988	3,743	1,963	1,734
Loan and borrowings	5,822	4,279	–	–
Income tax payable	2,997	2,411	2,658	2,098
	105,592	104,021	54,857	54,502
Net current assets	122,508	119,695	103,141	98,848
Non-current liabilities				
Provisions	1,593	1,593	1,238	1,238
Loans and borrowings	5,316	5,525	–	–
Deferred tax liabilities	3,042	2,903	1,434	1,434
	9,951	10,021	2,672	2,672
Total Liabilities	**115,543**	**114,042**	**57,529**	**57,174**
Net assets	**227,984**	**225,225**	**205,517**	**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	28	26	28	26
Retained earnings	160,313	158,250	147,008	144,250
Premium paid on acquisition of non-controlling interests	(2,764)	(2,764)	–	–
Foreign currency translation reserve	(784)	(1,042)	–	–
	216,359	214,036	205,517	202,757
Non-controlling interests	**11,625**	**11,189**	**–**	**–**
Total Equity	**227,984**	**225,225**	**205,517**	**202,757**
Total equity and liabilities	**343,527**	**339,267**	**263,046**	**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 30 Sep 2014		As at 30 June 2014	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
5,822	–	4,279	–

Amount repayable after one year

As at 30 Sep 2014		As at 30 June 2014	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
5,316	–	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	
	Q1 2015	Q1 2014 (restated)
	S$'000	S$'000
Cash flows from operating activities		
Profit before taxation	3,096	2,711
Adjustments for:		
Depreciation of property, plant and equipment	3,508	3,285
Depreciation of investment property	43	–
(Gain)/loss on disposal of property, plant and equipment	(56)	24
(Write back)/impairment of trade receivables, net	(215)	72
Gain loss on disposal of intangible asset	1	–
Provision, net	245	439
Currency realignment	7	8
Amortisation of land use rights	5	6
Amortisation of intangible assets	37	8
Share of results of associate	(351)	(129)
Share of results of joint ventures	–	14
Interest income	(103)	(110)
Interest expense	64	72
Operating cash flows before working capital changes	**6,281**	**6,400**
(Increase)/decrease in contracts-in-progress	(21,274)	6,791
Increase in inventories	–	(32)
Decrease in trade and other receivables, and prepayments	14,736	16,618
Decrease in trade and other payables and accruals, and provision	(260)	(6,277)
Cash flows (used in)/generated from operations	**(517)**	**23,500**
Tax paid	(256)	(42)
Interest paid	(64)	(72)
Interest received	103	110
Net cash flows (used in)/generated from operating activities	**(734)**	**23,496**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	302	5
Net cash outflow on acquisition of a subsidiary	–	(1,605)
Proceeds from disposal of intangible assets	3	–
Acquisition of land use rights	(41)	–
Purchase of property, plant and equipment	(2,438)	(3,657)
Net cash flows used in investing activities	**(2,174)**	**(5,257)**
Cash flows from financing activities		
Proceed from borrowings	1,334	279
Net cash flows generated from financing activities	**1,334**	**279**
Net (decrease)/increase in cash & cash equivalents	**(1,574)**	18,518
Cash & cash equivalents at beginning of the period	**82,512**	**80,149**
Cash & cash equivalents at end of the period	**80,938**	**98,667**

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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	–	–	–	–	–	–	–	(341)	(341)
At 1 July 2014 (As restated)	**58,481**	**1,085**	**158,250**	**26**	**(2,764)**	**(1,042)**	**214,036**	**11,189**	**225,225**
Total comprehensive income	–	–	2,063	2	–	258	2,323	436	2,759
At 30 September 2014	**58,481**	**1,085**	**160,313**	**28**	**(2,764)**	**(784)**	**216,359**	**11,625**	**227,984**

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	–	–	–	–	–	–	–	(355)	(355)
At 1 July 2013 (As restated)	**58,481**	**1,085**	**155,542**	**28**	**(2,698)**	**(719)**	**211,719**	**11,280**	**222,999**
Total comprehensive income	–	–	2,390	1	–	(550)	1,841	(1,302)	539
At 30 September 2013	**58,481**	**1,085**	**157,932**	**29**	**(2,698)**	**(1,269)**	**213,560**	**9,978**	**223,538**

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**

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**

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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 2014	As at 30 Sep 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 30 Sep 2014	As at 30 June 2014
Total number of issued shares excluding treasury shares	255,157,000	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.

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.

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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 2015	**Q1 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	0.9
b) On fully diluted basis	0.8	0.9

The above computation for Q1 2015 and Q1 2014 was based on 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 2014	**30 Jun 2014**	**30 Sep 2014**	**30 Jun 2014**
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	84.7	83.9	80.5	79.5
No. of shares in computing NAV ('000)	255,157	255,157	255,157	255,157

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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 2014-15

Revenue

The Group's revenue increased by S$4.2 million from S$106.6 million in Q1 FY2014 to S$110.8 million in Q1 FY2015. This was mainly due to an increase in revenue for maintenance services, offset by a decrease in revenue for project works.

Cost of sales

As revenue increased, the Group's cost of sales increased by S$5.1 million from S$82.3 million in Q1 FY2014 to S$87.4 million in Q1 FY2015.

The increase in Q1 FY2015 was mainly due to an increase in production labour costs to support the higher maintenance activities, offset by a decrease in material cost for project work.

Gross profit and gross profit margin

The Group's gross profit decreased by S$0.9 million from S$24.3 million in Q1 FY2014 to S$23.4 million in Q1 FY2015.

This was mainly due to a decrease in variation works claims in Q1 FY2015 as compared to Q1 FY2014.

Administrative expenses

The Group's administrative expenses decreased by S$0.4 million from S$8.3 million in Q1 FY2014 to S$7.9 million in Q1 FY2015. This was mainly due to a decrease in salary cost resulting from a reduction in headcount and general administrative expenses.

Other operating expenses

The Group's other operating expenses decreased by S$0.5 million from S$14.0 million in Q1 FY2014 to S$13.5 million in Q1 FY2015. This was mainly due to a decrease in accommodation cost, offset by an increase in depreciation and employee related expenses.

Share of results of associate

With the consolidation of the PEC Thailand, the share of results of associate was due solely to share of profit from PEI.

Taxation

The effective tax rate decreased from 58.1% in Q1 FY2014 to 22.8% in Q1 FY2015. The higher tax rate in Q1 FY2014 was mainly attributable to losses in overseas entities. Upon consolidation, these loss making entities reduced the overall profitability of the Group, and therefore increased the effective tax rate.

Balance Sheet Review

The Group's current assets increased by S$4.4 million to S$228.1 million in Q1 FY2015. This was mainly due to an increase in contracts-in-progress.and offset by a decrease in trade receivable, cash and short term deposits.

The increase in contracts-in-progress was mainly due to delays in billing for the project works, pending client certification on progress claims and variation orders.

The Group's current liabilities increased by S$1.6 million to S$105.6 million in Q1 FY2015. This was mainly due to an increase in loan and borrowings.

Cash Flow Review

Cash flows generated from operating activities for the Group in Q1 FY2015 was approximately S$24.2 million lower than Q1 FY2014 due to delays in billing for the project works, pending client certification on progress claims and variation orders.

Net cash used in investing activities for the Group in Q1 FY2015 was S$2.2 million. This was mainly attributable to partial payment for property at Neythal Road, purchase of construction equipment, office equipment and motor vehicles to support the operation.

The Group had generated S$1.3 million in financing activities in Q1 FY2015 which was mainly due to borrowings for project financing.

As a result of the above, there was a decrease in cash and cash equivalents of S$1.6 million from S$82.5 million in FY2014 to S$ 80.9 million in Q1 FY2015.

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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 difficult. Costs continue to rise and competition remains intense. Moreover, an uncertain global backdrop has prompted some clients to defer their projects.

To grow its project pipeline, the Group has been actively bidding for new contracts in both Asia and the Middle East and is also pursuing projects in other related sectors.

As at 30 September 2014, the Group's orderbook stood at S$185 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 first quarter financial results to be false or misleading in any material aspect.

BY ORDER OF THE BOARD
Edna Ko Poh Thim
Executive Chairman
10th November 2014