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 2014

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 31 March 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 third quarter ("Q3") and nine months ("9M") ended 31 March 2014:

	Group			Group		
	Q3 2014	Q3 2013	Change	9M 2014	9M 2013	Change
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	104,250	134,078	(22%)	317,224	398,394	(20%)
Cost of sales	(81,836)	(112,513)	(27%)	(246,475)	(331,060)	(26%)
Gross profit	**22,414**	**21,565**	**4%**	**70,749**	**67,334**	**5%**
Gross profit margin	22%	16%		22%	17%	
Other operating income	2,065	710	191%	3,831	3,185	20%
Administrative expenses	(6,831)	(6,332)	8%	(22,562)	(21,435)	5%
Other operating expenses	(16,011)	(13,286)	21%	(44,117)	(39,541)	12%
Finance expenses	(131)	(99)	32%	(306)	(216)	42%
Share of results of associates	313	(517)	NM	279	3	NM
Share of results of joint ventures	12	75	(84%)	(98)	89	NM
Profit before taxation	**1,831**	**2,116**	(13%)	**7,776**	**9,419**	(17%)
Income tax	(602)	(531)	13%	(3,115)	(1,973)	58%
Profit after taxation	**1,229**	**1,585**	(22%)	**4,661**	**7,446**	(37%)
Attributable to:						
Equity holders of the Company	1,257	1,346	(7%)	5,383	7,261	(26%)
Non-controlling interests	(28)	239	NM	(722)	185	NM
	1,229	**1,585**	(22%)	**4,661**	**7,446**	(37%)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss:						
Net change in fair value reserve	(3)	(5)	(40%)	(2)	(15)	(87%)
Net effect of exchange differences	(312)	466	NM	(270)	(123)	120%
Total other comprehensive income for the year, net of tax	(315)	461	NM	(272)	(138)	97%
Total comprehensive income for the year	**914**	**2,046**	(55%)	**4,389**	**7,308**	(40%)
Total comprehensive income attributable to:						
Equity holders of the Company	1,039	1,732	(40%)	5,185	7,184	(28%)
Non-controlling interests	(125)	314	NM	(796)	124	NM
	914	**2,046**	**(55%)**	**4,389**	**7,308**	**(40%)**

Denotes: NM – not meaningful

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

	Group		Group	
	Q3 2014	Q3 2013	9M 2014	9M 2013
	S$'000	S$'000	S$'000	S$'000
Amortisation of land use rights	(5)	(6)	(17)	(17)
Amortisation of intangible assets	(9)	(9)	(25)	(25)
Depreciation of property, plant and equipment	(4,036)	(3,228)	(10,620)	(8,818)
Impairment of trade receivables, net	(2,191)	(11)	(2,187)	(81)
Bad debts	–	(20)	(1)	(49)
Interest expense	(66)	(21)	(122)	(66)
Exchange (loss)/gain, net	(253)	161	(445)	(196)
Net fair value loss on derivative financial instruments	–	5	–	(13)
Gain on disposal of property, plant and equipment	834	(7)	877	1,226
Interest income	98	116	386	394
Sundry income	883	491	2,039	1,147

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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 Mar 2014	30 Jun 2013	31 Mar 2014	30 Jun 2013
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	107,235	109,266	63,048	66,370
Investment securities	43	46	43	46
Investment in subsidiaries	–	–	29,915	29,755
Investment in joint ventures	459	557	–	–
Investment in associates	3,738	2,564	354	354
Intangible assets	1,708	1,733	211	235
Land use rights	680	701	–	–
Amounts due from subsidiaries	–	–	12,140	10,540
	113,863	114,867	105,711	107,300
Current assets				
Contracts-in-progress (net of progress billings)	54,258	58,670	37,789	26,486
Inventories	737	489	–	–
Trade receivables	65,202	93,963	31,114	55,691
Other receivables and deposits	8,080	6,511	4,756	3,922
Prepayments	2,713	1,330	795	916
Amounts due from subsidiaries	–	–	14,000	16,035
Cash and short term deposits	72,779	80,149	55,370	53,183
	203,769	241,112	143,824	156,233
Total Assets	**317,632**	**355,979**	**249,535**	**263,533**
EQUITIES AND LIABILITIES				
Current liabilities				
Progress billings in excess of costs	4,893	5,868	2,625	993
Trade payables	28,492	42,822	17,445	24,372
Other payables and accruals	44,098	68,364	24,319	40,789
Provisions	6,577	5,404	2,919	3,060
Loan and borrowings	2,378	3,167	–	–
Income tax payable	2,267	864	1,791	507
	88,705	126,489	49,099	69,721
Net current assets	115,064	114,623	94,725	86,512
Non-current liabilities				
Loans and borrowings	5,563	3,248	–	–
Deferred tax liabilities	2,812	2,888	2,554	2,554
	8,375	6,136	2,554	2,554
Total Liabilities	**97,080**	**132,625**	**51,653**	**72,275**
Net assets	**220,552**	**223,354**	**197,882**	**191,258**
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	26	28	26	28
Retained earnings	154,573	155,542	139,375	132,749
Premium paid on acquisition of non-controlling interests	(2,764)	(2,698)	–	–
Foreign currency translation reserve	(915)	(719)	–	–
	210,486	211,719	197,882	191,258
Non-controlling interests	10,066	11,635	–	–
Total Equity	**220,552**	**223,354**	**197,882**	**191,258**
Total equity and liabilities	**317,632**	**355,979**	**249,535**	**263,533**

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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 Mar 2014		As at 30 June 2013	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
2,378	–	3,167	–

Amount repayable after one year

As at 31 Mar 2014		As at 30 June 2013	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
5,563	–	3,248	–

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	
	9M 2014	9M 2013
	S$'000	S$'000
Cash flows from operating activities		
Profit before taxation	7,776	9,419
Adjustments for:		
Depreciation of property, plant and equipment	10,620	8,818
Gain on disposal of property, plant and equipment	(877)	(1,226)
Impairment of trade receivables, net	2,187	81
Provision, net	33	301
Currency realignment	11	243
Net fair value loss on derivative financial instruments	–	13
Amortisation of land use rights	17	17
Amortisation of intangible assets	25	25
Share of results of associates	(279)	(3)
Share of results of joint ventures	98	(89)
Interest income	(386)	(394)
Interest expense	122	66
Operating cash flows before working capital changes	**19,347**	**17,272**
Decrease in contracts-in-progress	3,438	(2,249)
Increase in inventories	(249)	(153)
Increase/(decrease) in trade and other receivables, and prepayments	23,621	(15,332)
(Decrease)/increase in trade and other payables and accruals, and provision	(38,596)	7,449
Cash flows generated from operations	**7,561**	**6,987**
Tax paid	(1,788)	(4,081)
Interest paid	(122)	(66)
Interest received	386	394
Net cash flows generated from operating activities	**6,037**	**3,234**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,280	2,194
Net cash outflow on acquisition of non-controlling interests	(160)	–
Dividend income from associate	245	245
Purchase of property, plant and equipment	(9,267)	(13,389)
Net cash flows used in investing activities	**(7,902)**	**(10,950)**
Cash flows from financing activities		
Proceeds from borrowings	1,525	1,436
Additional investments by subsidiaries' minority shareholders	25	90
Dividends paid to non-controlling interests	(676)	(102)
Dividends paid on ordinary shares	(6,379)	(6,379)
Net cash flows used in financing activities	**(5,505)**	**(4,955)**
Net increase in cash & cash equivalents	**(7,370)**	**(12,671)**
Cash & cash equivalents at beginning of the period	**80,149**	**114,203**
Cash & cash equivalents at end of the period	**72,779**	**101,532**

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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 2013	**58,481**	**1,085**	**155,542**	**28**	**(2,698)**	**(719)**	**211,719**	**11,635**	**223,354**
Total comprehensive income	–	–	2,390	1	–	(570)	1,821	(1,326)	495
At 30 September 2013	**58,481**	**1,085**	**157,932**	**29**	**(2,698)**	**(1,289)**	**213,540**	**10,309**	**223,849**
Total comprehensive income	–	–	1,736	–	–	589	2,325	655	2,980
Acquisition of non-controlling interests without change in control	–	–	–	–	(66)	–	(66)	16	(50)
Additional investment by non-controlling interest	–	–	–	–	–	–	–	25	25
Dividends on ordinary shares	–	–	(6,379)	–	–	–	(6,379)	–	(6,379)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(676)	(676)
Dilution of interest in subsidiary	–	–	28	–	–	–	28	(28)	-
At 31 December 2013	**58,481**	**1,085**	**153,317**	**29**	**(2,764)**	**(700)**	**209,448**	**10,301**	**219,749**
Total comprehensive income	–	–	1,257	(3)	–	(215)	1,039	(125)	914
Acquisition of non-controlling interests without change in control	–	–	–	–	-	–	-	(110)	(110)
At 31 March 2014	**58,481**	**1,085**	**154,574**	**26**	**(2,764)**	**(915)**	**210,487**	**10,066**	**220,553**

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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 2012	**58,481**	**1,073**	**149,557**	**61**	**(2,698)**	**(441)**	**206,033**	**10,881**	**216,914**
Total comprehensive income	–	–	3,302	(10)	–	(264)	3,028	(71)	2,957
Additional investment by non-controlling interest	–	–	–	–	–	–	–	55	55
Dilution of interest in subsidiary	–	–	31	–	–	–	31	(31)	–
At 30 September 2012	**58,481**	**1,073**	**152,890**	**51**	**(2,698)**	**(705)**	**209,092**	**10,834**	**219,926**
Total comprehensive income	–	–	2,613	–	–	(325)	2,288	(119)	2,169
Additional investment by non-controlling interest	–	–	–	–	–	–	–	35	35
Dividends on ordinary shares	–	–	(6,379)	–	–	–	(6,379)	–	(6,379)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(102)	(102)
Dilution of interest in subsidiary	–	–	23	–	–	–	23	(23)	–
At 31 December 2012	**58,481**	**1,073**	**149,147**	**51**	**(2,698)**	**(1,030)**	**205,024**	**10,625**	**215,649**
Total comprehensive income	–	–	1,346	(5)	–	466	1,807	314	2,121
Transfer to statutory reserves	–	12	(12)	–	–	–	–	–	–
At 31 March 2013	**58,481**	**1,085**	**150,481**	**46**	**(2,698)**	**(564)**	**206,831**	**10,939**	**217,770**

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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**
Total comprehensive income	–	3,513	–	3,513
Dividends on ordinary shares	–	(6,379)	–	(6,379)
At 31 December 2013	**58,481**	**135,992**	**29**	**194,502**
Total comprehensive income	–	3,383	(3)	3,380
At 31 March 2014	**58,481**	**139,375**	**26**	**197,882**

COMPANY	Share Capital	Retained earnings	Fair value reserve	Total
	S$'000	S$'000	S$'000	S$'000
At 1 July 2012	**58,481**	**120,007**	**61**	**178,549**
Total comprehensive income	–	1,545	(10)	1,535
At 30 September 2012	**58,481**	**121,552**	**51**	**180,084**
Total comprehensive income	–	3,881	–	3,881
Dividends on ordinary shares	–	(6,379)	–	(6,379)
At 31 December 2012	**58,481**	**119,054**	**51**	**177,586**
Total comprehensive income	–	7,060	(5)	7,055
At 31 March 2013	**58,481**	**126,114**	**46**	**184,641**

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 treasury 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 Mar 2014	As at 31 Mar 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 31 Mar 2014	As at 30 June 2013
Total number of issued shares excluding treasury shares	255,157,000	255,157,000

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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 2013.

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 2014	Q3 2013	9M 2014	9M 2013
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	0.5	0.5	2.1	2.8
b) On fully diluted basis	0.5	0.5	2.1	2.8

The above computation for Q3 2014 and Q3 2013 was based on 255,157,000 shares respectively.

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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 2014	30 Jun 2013	31 Mar 2014	30 Jun 2013
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	82.5	83.0	77.5	75.0
No. of shares in computing NAV ('000)	255,157	255,157	255,157	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 Q3 2013-14

Revenue

The Group's revenue decreased by 22% from S$134.1 million in Q3 FY2013 to S$104.3 million in Q3 FY2014. This was mainly due to decrease in revenue from project works.

Cost of sales

As revenue decreased, the Group's cost of sales decreased by 27% from S$112.5 million in Q3 FY2013 to S$81.8 million in Q3 FY2014. The decrease was mainly due to decrease in labour cost and materials cost, resulted from completion of some project works in earlier quarters.

Gross profit and gross profit margin

The Group's gross profit increased by S$0.8 million from S$21.6 million in Q3 FY2013 to S$22.4 million in Q3 FY2014 and the Group's gross profit margin increased from 16% to 22%.

The increase was mainly due to claims for past variation works for project work which were finalized and recognised in this quarter.

Other operating income

Other operating income increased by S$1.4 million from S$0.7 million in Q3 FY2013 to S$2.1 million in Q3 FY2014. This was mainly due to gain on disposal of asset and wage credit scheme in Q3 FY2014.

Administrative expenses

Administrative expenses increased by S$0.5 million from S$6.3 million in Q3 FY2013 to S$6.8 million in Q3 FY2014. The increase was mainly due to increase in salary cost, professional and consultancy fees.

Other operating expenses

Other operating expenses increased by S$2.7 million from S$13.3 million in Q3 FY2013 to S$16.0 million in Q3 FY2014. This was mainly due to increase in depreciation and allowance for doubtful debts.

Finance expenses

The increase in finance expenses was mainly due to increase in interest on additional loans.

Share of results of associates and joint venture

Share of result of associates was mainly due to share of result from PEI and PEC Thailand.
Share of result of joint ventures was mainly due to share of result from CTS.

Taxation

The effective tax rate increased from 25.1% in Q3 FY2013 to 33.1% in Q3 FY2014. This was mainly attributable to losses in some entities. Upon consolidation, these loss making entities reduced the overall profitability of the Group, and therefore increased the effective tax rate.

Profit attributable to shareholders and Non-controlling interest

There was no significant change between the corresponding quarters.

Balance Sheet Review

The Group's non-current assets decreased by S$1.0 million to S$113.9 million in Q3 FY2014. This was mainly due to decrease in property, plant and equipment which offset by an increase in investment in associates.

The Group's current assets decreased by S$37.3 million to S$203.8 million in Q3 FY2014. This was mainly due to decrease in trade receivables and cash and cash equivalents.

The Group's current liabilities decreased by S$37.8 million to S$88.7 million in Q3 FY2014. This was mainly due to decrease in trade payables, other payables and accruals.

The Group's non-current liabilities increased by S$2.2 million to S$8.4 million in Q3 FY2014. This was mainly due to increase in loans and borrowings.

Cash Flow Review

Cash generated from operating activities for the Group in Q3 FY2014 was S$6.0 million after deduction of income tax payment of S$1.8 million.

Net cash used in investing activities for the Group in Q3 FY2014 was S$7.9 million. This was mainly attributable to new flatted factory, workshop and office renovation, purchase of construction equipment and motor vehicles to support the operation.

The Group had used S$5.5 million in financing activities in Q3 FY2014 which was mainly due to dividends payment of S$7.0 million, partly offset by borrowings of S$1.5 million.

As a result of the above, there was a decrease in cash and cash equivalents of S$7.4 million from S$80.1 million in FY2013 to S$72.8 million in Q3 FY2014.

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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 remains challenging, particularly in the process industry, as players are still contending with intense competition and rising costs. As a result, some projects have been deferred as companies evaluate their capital expenditure in the changing environment.

PEC remains selective in bidding for projects and diligent in our project execution. The Group will continue to focus its business development efforts in Asia and the Middle East, where we are seeing more project opportunities. Overall the Group expects the activity level in the maintenance and project segments in the industry to increase in the second half of calendar year 2014.

As at 31 March 2014, the Group's orderbook was S$173.0 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 transactions

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

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

BY ORDER OF THE BOARD
Edna Ko Poh Thim
Executive Chairman
12th May 2014