PEC LTD.

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Co. Reg. No: 198200079M

SECOND HALF FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 30 JUNE 2020

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 30 June 2020.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF 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 half ("2H") and full year ("FY") ended 30 June 2020:

	Group			Group		
	2H 2020	2H 2019	Change	FY 2020	FY 2019	Change
	S$'000	S$'000	%	S$'000	S$'000	%
Revenue	202,771	191,893	6%	495,067	392,724	26%
Cost of sales	(170,082)	(150,568)	13%	(410,629)	(305,729)	34%
Gross profit	**32,689**	**41,325**	**(21%)**	**84,438**	**86,995**	**(3%)**
Gross profit margin	16%	22%		17%	22%	
Other operating income	5,446	3,094	76%	7,385	4,412	67%
Administrative expenses	(12,534)	(13,034)	(4%)	(28,551)	(27,886)	2%
Other operating expenses	(74,795)	(24,899)	200%	(103,017)	(50,373)	105%
Finance expenses	(734)	(252)	191%	(1,181)	(377)	213%
Share of results of associate	428	33	1197%	635	159	299%
(Loss)/profit before taxation	**(49,500)**	**6,267**	**NM**	**(40,291)**	**12,930**	**NM**
Income tax expense	(2,660)	(1,492)	78%	(5,203)	(3,123)	67%
(Loss)/profit after taxation	**(52,160)**	**4,775**	**NM**	**(45,494)**	**9,807**	**NM**
Attributable to:						
Equity holders of the Company	(51,225)	3,904	NM	(45,060)	8,281	NM
Non-controlling interests	(935)	871	NM	(434)	1,526	NM
	(52,160)	**4,775**	**NM**	**(45,494)**	**9,807**	**Nm**
Other comprehensive income:						
Item that will not be reclassified subsequently to profit or loss:						
Net change in fair value reserve	1	(2)	NM	1	(3)	NM
Items that may be reclassified subsequently to profit or loss:						
Foreign currency translation	2,147	(465)	(562%)	2,104	(1,944)	NM
Total other comprehensive income for the period, net of tax	2,148	(467)	(560%)	2,105	(1,947)	NM
Total comprehensive income for the period	**(50,012)**	**4,308**	**NM**	**(43,389)**	**7,860**	**NM**
Total comprehensive income attributable to:						
Owners of the Company	(49,298)	3,456	NM	(43,104)	6,653	NM
Non-controlling interests	(714)	852	NM	(285)	1,207	NM
	(50,012)	**4,308**	**NM**	**(43,389)**	**7,860**	**NM**

Denotes: NM – not meaningful

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

	Group		Group	
	2H 2020	2H 2019	FY 2020	FY 2019
	S$'000	S$'000	S$'000	S$'000
Amortisation of land use rights	–	(12)	–	(24)
Amortisation of right-of-use assets	(1,737)	–	(2,607)	–
Amortisation of intangible assets	(8)	(9)	(17)	(74)
Depreciation of property, plant and equipment	(6,417)	(6,113)	(12,407)	(11,922)
Depreciation of investment property	(77)	(78)	(155)	(159)
Share-based compensation expenses	–	(21)	–	(86)
(Impairment)/write back of impairment loss on financial assets	(48,566)	861	(48,588)	479
Impairment loss on goodwill	(1,562)	–	(1,562)	–
Interest expense	(237)	(252)	(546)	(377)
Interest expense on lease liabilities	(427)	–	(565)	–
Interest expense on reinstatement cost	(70)	–	(70)	–
Exchange gain/(loss), net	2,206	(744)	1,050	(734)
(Loss)/gain on disposal of property, plant and equipment, net	(299)	(184)	362	(26)
Gain on disposal of investment property	–	94	–	183
Gain on disposal of intangible asset	3	20	3	142
Insurance claim	196	179	355	302
Interest income	602	558	1,100	932
Sundry income	278	641	709	830

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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 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	S$'000	S$'000	S$'000	S$'000
ASSETS				
Non-current assets				
Property, plant and equipment	91,698	84,637	42,029	36,511
Investment property	5,782	5,943	–	–
Investment securities	1	4	1	4
Investment in subsidiaries	–	–	42,222	54,093
Investment in an associate	5,450	4,945	354	354
Intangible assets	64	1,645	64	83
Land use rights	–	593	–	–
Prepayments	1,427	1,077	–	–
Deferred tax assets	965	2,291	965	282
Right-of-use assets	21,489	–	16,258	–
Trade receivables	44	1,014	–	–
	126,920	102,149	101,893	91,327
Current assets				
Contract assets	10,034	23,518	6,817	15,824
Accrued income	22,985	59,598	12,923	47,041
Inventories	443	321	–	–
Trade receivables	110,684	111,192	30,402	63,579
Other receivables and deposits	10,011	5,737	13,134	7,807
Prepayments	2,244	3,437	824	1,102
Capitalised contract costs	20,496	35,140	–	700
Amounts due from subsidiaries	–	–	4,406	5,536
Cash and short-term deposits	100,069	94,245	50,840	36,565
	276,966	333,188	119,346	178,154
Total Assets	**403,886**	**435,337**	**221,239**	**269,481**
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	66,640	57,797	4,377	11,650
Trade payables	26,294	27,439	12,485	30,339
Other payables and accruals	71,994	82,866	24,077	35,561
Provisions	6,887	3,950	3,889	2,536
Loans and borrowings	13,111	12,181	10,000	10,000
Deferred income	3,358	–	2,944	–
Lease liabilities	1,897	–	1,247	–
Income tax payable	1,469	1,604	265	1,087
	191,650	185,837	59,284	91,173
Net current assets	85,316	147,351	60,062	86,981
Non-current liabilities				
Provisions	2,774	1,238	2,634	1,238
Loans and borrowings	5,908	6,770	–	–
Lease liabilities	18,994	–	15,209	–
Deferred tax liabilities	518	525	–	–
	28,194	8,533	17,843	1,238
Total Liabilities	**219,844**	**194,370**	**77,127**	**92,411**
Net assets	**184,042**	**240,967**	**144,112**	**177,070**
Equity attributable to owners of the Company				
Share capital	58,836	58,836	58,836	58,836
Treasury shares	(576)	(445)	(576)	(445)
Statutory reserve	2,481	2,481	–	–
Fair value reserve	(13)	(14)	(13)	(14)
Retained earnings	123,853	174,012	85,865	118,693
Premium paid on acquisition of non-controlling interests	(4,841)	(2,189)	–	–
Foreign currency translation reserve	750	(1,205)	–	–
	180,490	231,476	144,112	177,070
Non-controlling interests	3,552	9,491	–	–
Total Equity	**184,042**	**240,967**	**144,112**	**177,070**
Total equity and liabilities	**403,886**	**435,337**	**221,239**	**269,481**

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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 June 2020		As at 30 June 2019	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
5,008	10,000	2,181	10,000

Amount repayable after one year

As at 30 June 2020		As at 30 June 2019	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
24,902	–	6,770	–

Detail of any collateral

The Group's borrowings include loans and borrowings as well as lease liabilities. Certain of the Group's loans and borrowings were secured over corporate guarantee and certain property, plant and equipment and deposits.

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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	
	FY 2020	FY 2019
	S$'000	S$'000
Cash flows from operating activities		
(Loss)/profit before taxation	(40,291)	12,930
Adjustments for:		
Depreciation of property, plant and equipment	12,407	11,922
Depreciation of investment property	155	159
(Gain)/loss on disposal of property, plant and equipment, net	(362)	26
Gain on disposal of investment property	–	(183)
Gain on disposal of intangible asset	(3)	(142)
Share-based compensation expenses	–	86
Impairment/(write back) of impairment loss on property, plant and equipment	38	(530)
Impairment/(write back) of impairment loss on financial assets	48,588	(479)
Impairment loss on goodwill	1,562	–
Loss on disposal of subsidiary	6	–
Provision, net	2,917	(2,073)
Foreign exchange differences	(234)	894
Amortisation of intangible assets	17	74
Amortisation of capitalised contracts cost	16,080	415
Amortisation of right-of-use assets	2,607	–
Amortisation of land use rights	–	24
Share of results of associate	(635)	(159)
Interest income	(1,100)	(932)
Interest expense on lease liabilities	565	–
Interest expense	616	377
Operating cash flows before working capital changes	**42,933**	**22,409**
Decrease in contract assets net contract liabilities	21,198	46,661
Decrease/(increase) in accrued income	36,617	(13,179)
Increase in capitalised contract costs	(1,403)	(35,569)
(Increase)/decrease in inventories	(122)	47
Increase in trade receivables, other receivables and deposits, and prepayments	(49,695)	(18,463)
(Decrease)/increase in trade and other payables and accruals	(9,140)	22,401
Cash flows generated from operations	**40,388**	**24,307**
Tax paid	(4,030)	(2,586)
Interest paid	(1,111)	(377)
Interest received	1,100	932
Net cash flows generated from operating activities	**36,347**	**22,276**
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	946	397
Proceeds from disposal of investment property	–	931
Proceeds from disposal of available-for-sale quoted investments	2	–
Proceeds from disposal of intangible asset	3	159
Net cash inflow from disposal of a subsidiary	187	–
Dividend income from associate	130	245
Acquisition of intangible assets	–	(79)
Purchase of right-of-use assets	(20)	–
Purchase of property, plant and equipment	(18,087)	(19,475)
Net cash flows used in investing activities	**(16,839)**	**(17,822)**
Cash flows from financing activities		
Repayment of borrowings	(1,258)	(1,168)
Purchase of treasury shares	(131)	(947)
Net cash outflow on acquisition of non-controlling interest	(7,415)	–
Dividends paid on ordinary shares	(5,099)	(5,094)
Dividends paid to non-controlling interests	(891)	–
Proceeds from borrowings	2,407	10,600
Changes in bank deposits pledged	15	(15)
Payment of principal portion of lease liabilities	(2,252)	–
Net cash flows (used in)/generated from financing activities	**(14,624)**	**3,376**
Net increase in cash and cash equivalents	**4,884**	**7,830**
Effect of exchange rate changes on cash and cash equivalents	1,815	(1,194)
Cash and cash equivalents at beginning of the year	93,370	86,733
Cash and cash equivalents at end of the year	**100,069**	**93,369**

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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 2019	**58,836**	**(445)**	**2,481**	**174,012**	**(14)**	**(2,189)**	**(1,205)**	**231,476**	**9,491**	**240,967**
Total comprehensive income	–	–	–	6,165	–	–	29	6,194	429	6,623
Dividend paid to non-controlling interest by subsidiaries	–	–	–	–	–	–	–	–	(891)	(891)
Dividends on ordinary shares	–	–	–	(5,099)	–	–	–	(5,099)	–	(5,099)
At 31 December 2019	**58,836**	**(445)**	**2,481**	**175,078**	**(14)**	**(2,189)**	**(1,176)**	**232,571**	**9,029**	**241,600**
Total comprehensive income	–	–	–	(51,225)	1	–	1,926	(49,298)	(714)	(50,012)
Acquisition of non-controlling interests without a change in control	–	–	–	–	–	(2,652)	–	(2,652)	(4,763)	(7,415)
Purchase of treasury shares	–	(131)	–	–	–	–	–	(131)	–	(131)
At 30 June 2020	**58,836**	**(576)**	**2,481**	**123,853**	**(13)**	**(4,841)**	**750**	**180,490**	**3,552**	**184,042**

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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 2018 (FRS framework)	**58,836**	(120)	**2,481**	**174,077**	(11)	**(2,189)**	**(2,037)**	122	**231,159**	**8,914**	**240,073**
Effect of adoption of SFRS(I)1	–	–	–	(2,457)	–	–	2,457	–	–	–	–
Effect of adoption of SFRS(I)9	–	–	–	(380)	–	–	–	–	(380)	–	(380)
At 1 July 2018 (SFRS(1) framework)	**58,836**	**(120)**	**2,481**	**171,240**	**(11)**	**(2,189)**	**420**	**122**	**230,779**	**8,914**	**239,693**
Total comprehensive income	–	–	–	4,377	(1)	–	(1,179)	–	3,197	355	3,552
Grant of performance share to employees	–	(831)	–	–	–	–	–	64	(767)	–	(767)
Dividends on ordinary shares	–	–	–	(5,094)	–	–	–	–	(5,094)	–	(5,094)
At 31 December 2018	**58,836**	**(951)**	**2,481**	**170,523**	**(12)**	**(2,189)**	**(759)**	**186**	**228,115**	**9,269**	**237,384**
Total comprehensive income	–	–	–	3,904	(2)	–	(446)	–	3,456	852	4,308
Purchase of treasury shares	–	(116)	–	–	–	–	–	–	(116)	–	(116)
Dividend paid to non-controlling interest by subsidiaries	–	–	–	–	–	–	–	–	–	(630)	(630)
Grant of performance share to employees	–	–	–	–	–	–	–	21	21	–	21
Treasury shares reissued pursuant to performance share plans	–	622	–	(415)	–	–	–	(207)	–	–	–
At 30 June 2019	**58,836**	**(445)**	**2,481**	**174,012**	**(14)**	**(2,189)**	**(1,205)**	**–**	**231,476**	**9,491**	**240,967**

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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 2019	**58,836**	**(445)**	**118,693**	(14)	**177,070**
Total comprehensive income	–	–	2,407	-	2,407
Dividends on ordinary shares	–	–	(5,099)	–	(5,099)
At 31 December 2019	**58,836**	**(445)**	**116,001**	**(14)**	**174,378**
Total comprehensive income	–	–	**(30,136)**	**1**	(30,135)
Purchase of treasury shares	–	(131)	–	–	(131)
At 30 June 2020	**58,836**	**(576)**	**85,865**	**(13)**	**144,112**

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 2018	**58,836**	(120)	**122,839**	**(11)**	122	**181,666**
Total comprehensive income	–	–	6,050	(1)	–	6,049
Purchase of treasury shares	–	(831)	–	–	–	(831)
Grant of performance share to employees	–	–	–	–	64	64
Dividends on ordinary shares	–	–	(6,365)	–	–	(6,365)
At 31 December 2018	**58,836**	**(951)**	**122,524**	**(12)**	**186**	**180,583**
Total comprehensive income	–	–	(3,416)	(2)	–	(3,418)
Purchase of treasury shares	–	(116)	–	–	–	(116)
Grant of performance share to employees	–	–	–	–	21	21
Treasury shares reissued pursuant	–	622	(415)	–	(207)	–
At 30 June 2019	**58,836**	**(445)**	**118,693**	**(14)**	**-**	**177,070**

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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 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 30 June 2020	As at 30 June 2019
As at beginning of year	254,965,226	255,514,739
Reissued of treasury shares	–	1,047,487
Purchase of treasury shares	(321,400)	(1,597,000)
As at end of year	254,643,826	254,965,226

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 June 2020	As at 30 June 2019
Total number of issued shares excluding treasury shares	254,643,826	254,965,226

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.

	Number of Shares	
Treasury shares:	As at 30 June 2020	As at 30 June 2019
As at beginning of year	749,537	200,024
Purchase of treasury shares	321,400	1,597,000
Reissued of treasury shares	–	(1,047,487)
As at end of year	1,070,937	749,537

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.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:-

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

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 as disclosed in Section 5 below, the Group and the Company have applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied in the Group's and the Company's most recently audited financial statements for the year ended 30 June 2019.

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.

The Group applied SFRS(I) 16 "Leases" on 1 July 2019, which is effective for financial periods beginning on or after 1 January 2019. The standard requires a lessee to recognise a "right-of-use asset" representing its rights to use the underlying asset during the lease term and a "lease liability" representing its obligation to make lease payments in the statement of financial position. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset in the income statement.

The Group has adopted SFRS(I) 16 using the simplified transition approach to recognise amounts of the right-of-use asset equal to its lease liabilities, adjusted by the amounts of any prepaid or accrued lease payments relating to those leases recognised in the statement of financial position immediately before 1 July 2019, with no restatement of comparative information. The Group also applied the practical expedients to (a) not reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously classified as leases; (b) to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease terms ends within 12 months as of 1 July 2019 and (c) to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

As at 1 July 2019, the adoption of SFRS(I) 16 resulted in the following key effects at the Group and Company:-

	Group	Company
	S$'000	S$'000
Assets		
Right-of-use assets	14,299	8,816
Land use rights	593	–
Property, plant and equipment	(410)	–
Prepayment	(176)	–
Liabilities		
Lease Liabilities	(13,370)	(8,816)
Loans and borrowings	(250)	–

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	
	2H 2020	2H 2019	FY 2020	FY 2019
Weighted average number of ordinary shares for basic earnings per share computation ('000)	254,885	254,812	254,885	254,812
Effect of dilution				
-Performance share plan ('000)	–	–	–	–
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	254,885	254,812	254,885	254,812
Earnings per share (cents per share)				
- Basic	(20.1)	1.5	(17.7)	3.2
- Diluted	(20.1)	1.5	(17.7)	3.2

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 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	70.9	90.8	56.6	69.4
No. of shares in computing NAV ('000)	254,644	254,965	254,644	254,965

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 for FY2020

Revenue

The Group's revenue increased by S$102.4 million from S$392.7 million in FY2019 to S$495.1 million in FY2020. This was mainly due to revenue contribution from overseas project works in FY2020.

Cost of sales

As revenue increase, the Group's cost of sales increased by S$104.9 million from S$305.7 million in FY2019 to S$410.6 million in FY2020. The increase was mainly due to increase in subcontractors' costs, material and other direct operating costs. The increase was partially offset by foreign worker levy waiver and rebate granted by the Singapore government to reduce the business operating costs impacted by Covid-19.

Gross profit and gross profit margin

The Group's gross profit decreased by S$2.6 million from S$87.0 million in FY2019 to S$84.4 million in FY2020. The Group's gross profit margin decrease from 22% in FY2019 to 17% in FY2020. The decrease in gross profit and gross profit margin was mainly due to lower margin contribution from project works resulting from the competitive environment as well as the outbreak of the Covid-19 pandemic and the circuit breaker and control measures implemented in Singapore and other countries, which led to the disruption of the Group's business operations. Some of the additional costs includes decantment costs from housing workers out of the dormitories due to lockdown and control measures, cleaning costs and delays in restarting operations due to the inability to mobilise workers.

Other operating income

Other operating income increased by S$3.0 million from S$4.4 million in FY2019 to S$7.4 million in FY2020. This was mainly due to increase in grant received comprising Job Support Scheme from the Singapore government in FY2020 and gain on disposal of property, plant and equipment. The increase was partially offset by a decrease in writeback of provision for doubtful debts and writeback of impairment on site equipment.

Administrative expenses

Administrative expenses increased by S$0.6 million from S$27.9 million in FY2019 to S$28.5 million in FY2020. This was mainly due to increase in salaries remuneration and general administrative expenses. The increase was partially offset by a decrease in provision for profit incentive.

Other operating expenses

Other operating expenses increased by S$52.6 million from S$50.4 million in FY2019 to S$103.0 million in FY2020. This was mainly due to an increase in impairment of financial assets of about $48.6 million which is mainly due from a customer for a completed overseas project.

Taking into account that the overdue amount has been long outstanding and the current uncertainty over the recovery of such outstanding receivables, the Group has decided to provide for the full impairment of such receivables amounting to approximately S$43.0 million. The Group understands that the customer continues to attempt fund-raising to repay existing debts, but there is no assurance that any fund-raising exercise will be completed in a timely manner, or that such receivables owing to the Company will be fully or partially paid.

The higher other operating expenses was also due mainly to write off in PEC CEL of approximately S$1.6 million (as previously announced on 11 August 2020), amortisation of right-of-use assets arising from adoption of SFRS(I) 16 “Leases” effective 1 July 2019, impairment loss on goodwill, interest expenses on reinstatement costs, and higher direct operating costs such as freight forwarding expenses, insurance and tax clearance. The increase was partially offset by a gain on forex due to strengthening of the USD.

Finance expenses

Finance expense increased by S$0.8 million from S$0.4 million in FY2019 to S$1.2 million in FY2020. The increase was mainly due to increase in interest on short-term financings and interest expense on lease liabilities arising from adoption of SFRS(I) 16 “Leases” effective 1 July 2019.

Share of results of associate

The increase in share of results of associate was mainly due to improved margin in FY2020.

Taxation

The income tax expense in FY2020 was mainly due to withholding tax for foreign income received in Singapore, higher tax provision for certain overseas entities and reversal of deferred tax assets.

Balance Sheet Review

The Group's non-current assets increased by S$24.8 million from S$102.1 million in FY2019 to S$126.9 million in FY2020. This was mainly due to increase in property, plant and equipment, investment in associates, prepayments and right-of-use assets arising from the adoption of SFRS(I) 16 "Leases" effective on 1 July 2019, which requires a lessee to recognise its rights to use the underlying assets during the lease term. The increase was partially offset by a decrease in investment properties, intangible assets, deferred tax assets, trade receivables and land use rights arising from the reclassification to right-of-use assets.

The Group's current assets decreased by S$56.3 million from S$333.2 million in FY2019 to S$276.9 million in FY2020. This was mainly due to decrease in contract assets, accrued income, trade receivables, prepayments and capitalised contract costs. The decrease was partially offset by an increase in other receivables and deposits, cash and short-term deposits.

The Group's current liabilities increased by S$5.8 million from S$185.8 million in FY2019 to S$191.6 million in FY2020. This was mainly due to increase in contract liabilities, provision, deferred income, lease liabilities, loans and borrowings. The increase was partially offset by decrease in trade payables, income tax payable, other payables and accruals. The increase in lease liabilities arose from the adoption of SFRS(I) 16 "Leases", effective on 1 July 2019, which requires a lessee to recognise a "lease liability" representing its obligations to make lease payments. The increase in deferred income arose from the accounting on government grants related to Covid-19.

The Group's non-current liabilities increased by S$19.7 million from S$8.5 million in FY2019 to S$28.2 million in FY2020. This was mainly due to increase in provision and adoption of SFRS(I) 16 "Leases", effective on 1 July 2019, which requires a lessee to recognise a "lease liability" representing its obligations to make lease payments. The increase was partially offset by a decrease in loans and borrowings.

Cash Flow Review

Net cash generated from operating activities for the Group in FY2020 was S$36.3 million.

The Group had used S$16.8 million in investing activities in FY2020. This was mainly attributable to purchase of property at 14 International Business Park in Singapore, construction equipment, motor vehicles and office equipment to support the business operation. The amount was partially offset by proceeds from disposal of property, plant and equipment, proceeds from liquidation of a subsidiary and dividend income from associate.

The Group had used S$14.6 million in financing activities in FY2020 which was mainly due to the repayment of borrowings, acquisition of non-controlling interest in a China subsidiary, dividends payment to shareholders and payment of principal portion of lease liabilities. The amount was offset by proceeds from borrowings.

As a result of the above, there was an increase in cash and cash equivalents of S$4.9 million to S$100.1 million in FY2020.

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 COVID-19 pandemic has brought economic activity to a near-standstill as countries impose travel restrictions, lockdowns and quarantines to halt the spread of the virus. This coupled with oversupply and the unprecedented collapse in oil demand have resulted in a sharp decline in new investments with oil and gas majors slashing capital expenditures and jobs, and even postponing or cancelling projects.

The pandemic has plunged the world into a recession in 2020. There remain significant uncertainties in the global economy with the risk of subsequent waves of infections further disrupting economic activity and potentially impacting ongoing work and award of new projects in our key Asia and Middle East markets.

Though the circuit breaker period has been lifted in Singapore, the COVID-19 Safe Restart criteria has presented several challenges to our sector as all construction activities remain suspended until approval from government agencies are obtained for the relevant works to be restarted. Besides adhering to Safe Management Measures at worksites, PEC must also comply with additional COVID-Safe Restart Criteria covering the workforce, worksite, accommodation and transport.

Notwithstanding this bearish outlook, PEC will continue to pursue its efforts towards digitalisation, financial discipline and building its capabilities and synergies that will sharpen the Group's edge to seize opportunities when the energy sector recovers.

The orderbook stood at S$191.0 million as at 30 June 2020, excluding maintenance contracts.

11. Dividend

If a decision regarding dividend has been made: -
(a) Whether an interim (final) dividend has been declared (recommended); and

The Directors proposed to declare a dividend for the current financial year reported as follows:

	FY2020
Name of dividend	Final
Dividend type	Cash
Ordinary Dividend	0.5 cents per share
Tax rate	One-Tier

	FY2019
Name of dividend	Final
Dividend type	Cash
Ordinary Dividend	2.0 cents per share
Tax rate	One-Tier

(b) Previous corresponding period (cents)

NIL.

(c) The date the dividend is payable

Not applicable.

(d) The date on which Registrable Transfer receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

Not applicable.

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 second quarter financial results to be false or misleading in any material aspects.

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).

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PART II: Additional information required for Full Year announcement
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16. Segmented revenue and results for business or geographical segments (of the Group) in the form presented in the issuer's most recent audited annual financial statements, with comparative information for the immediate preceding year.

The Group Segmental results for the year ended 30 June 2020 is as follows:

A) Business Segment

	Project works S$'000	Plant maintenance and related services S$'000	Other operations S$'000	Elimina-tions S$'000	Total S$'000
2020					
Revenue	274,657	219,977	433	–	495,067
Inter-segment sales	20,955	26,639	3,030	(50,624)	–
Total revenue	295,612	246,616	3,463	(50,624)	495,067
Results:					
Segment results	38,362	45,964	112	–	84,438
Unallocated expenses					(59,977)
Interest income					1,099
Depreciation and amortisation	(7,411)	(1,800)	(176)	–	(9,387)
Unallocated depreciation and amortisation					(5,798)
Impairment on property, plant and equipment	(38)	–	–	–	(38)
Impairment of trade receivables	(47,652)	(868)	–	–	(48,520)
Impairment loss on goodwill					(1,562)
Finance costs					(1,181)
Share of results of associates	–	–	635	–	635
Loss before taxation					**(40,291)**
Income tax expense					(5,203)
Loss for the year					**(45,494)**
Assets:					
Additions to property, plant and equipment	15,134	2,912	1,586	–	19,632

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	Project works S$'000	Plant maintenance and related services S$'000	Other operations S$'000	Elimina-tions S$'000	Total S$'000
2019					
Revenue	146,260	245,967	497	–	392,724
Inter-segment sales	32,756	17,849	2,809	(53,414)	–
Total revenue	179,016	263,816	3,306	(53,414)	392,724
Results:					
Segment results	41,869	44,972	154	–	86,995
Unallocated expenses					(63,609)
Interest income					932
Depreciation and amortisation	(6,627)	(1,532)	(124)	–	(8,283)
Unallocated depreciation and amortisation					(3,896)
Write back of impairment on property, plant and equipment	530	–	–	–	530
(Impairment)/write back of trade receivables	(43)	522	–	–	479
Finance costs					(377)
Share of results of associates	–	–	159	–	159
Profit before taxation					12,930
Income tax expense					(3,123)
Profit for the year					**9,807**
Assets:					
Additions to property, plant and equipment	4,268	14,680	771	–	19,719

B) Geographical Segment

	Singapore S$'000	Malaysia S$'000	UAE S$'000	Others S$'000	Elimina-tions S$'000	Total S$'000
2020						
Revenue	234,905	67,765	102,524	89,873	–	495,067
Inter-segment sales	24,794	161	–	25,670	(50,625)	–
Segment Revenue	259,699	67,926	102,524	115,543	(50,625)	495,067
2019						
Revenue	299,529	12,510	18,713	61,972	–	392,724
Inter-segment sales	37,911	151	–	15,352	(53,414)	–
Segment Revenue	337,440	12,661	18,713	77,324	(53,414)	392,724

	Singapore S$'000	Malaysia S$'000	UAE S$'000	Others S$'000	Elimina-tions S$'000	Total S$'000
2020						
Asset:						
Non-current assets	126,649	3,507	8,589	29,387	(42,222)	125,910
2019						
Asset:						
Non-current assets	116,157	3,544	5,532	27,700	(54,093)	98,840

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

The increase in revenue in FY2020 was mainly due to revenue contribution from overseas project works.

The decrease in gross profit and gross profit margin in FY2020 was mainly due to lower margin contribution from project works resulting from competitive environment as well as outbreak of the Covid-19 pandemic and the circuit breaker and control measures implemented which led to the disruption of the Group's business operations.

18. A breakdown of sales as follows:

	Group		
	FY2020	**FY2019**	
	S$'000	**S$'000**	**Change %**
(a) Sales reported for first half year	292,296	200,831	46%
(b) Operating profit after tax before deducting minority interests reported for first half year	6,666	5,032	32%
(c) Sales reported for second half year	202,771	191,893	6%
(d) Operating (loss)/profit after tax before deducting minority interests reported for second half year	(52,160)	4,775	NM

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:

	FY2020	**FY2019**
	S$'000	**S$'000**
Ordinary	1,273	5,099
Special	Nil	Nil
Total	1,273	5,099

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20. Disclosure of persons occupying managerial position in the Company or any of its principal subsidiaries who are a relative of a Director or Chief Executive Officer ('CEO') or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any Director, CEO and/or Substantial Shareholder	Current position and duties, and the year the position was first held	Details of changes in duties and position held, if any, during the year
Patricia Ko Poh Cheng	55	Sister of Edna Ko Poh Thim, Chairman and Substantial Shareholder of the Company	(i) Employed on consultancy basis for the Company in relation to its China business since 2002. (ii) Director of PEC Technology Consultancy Services (Huizhou) Ltd since 2004. (iii) Director of PEC Construction Equipment Leasing Company (Huizhou) Ltd since 2005. (iv) Director of Huizhou Tianxin Petrochemical Engineering Co., Ltd since 2005.	None

21. Additional information required Pursuant to Rule 706A of the Listing Manual

a) Acquisition of the remaining 40.0% equity in existing subsidiary, Huizhou Tianxin Petrochemical Engineering Co. Ltd

The Company has on 15 June 2020 entered into a sale and purchase agreement (the "SPA") with Sinopec Nanjing Engineering Co. Ltd ("Sinopec Nanjing") and Sinopec Luoyang Engineering Co. Ltd ("Sinopec Luoyang") (together, the "Vendors"), pursuant to which the Company will acquire the (a) 30% of the total equity interest ("Equity") in the registered capital of Huizhou Tianxin Petrochemical Engineering Co. Ltd ("Tianxin"), a subsidiary of the Company, held by Sinopec Nanjing; and (b) 10% Equity in Tianxin held by Sinopec Luoyang. For more information, please refer to the announcement dated 16 June 2020.

b) Completion of purchase of property at 14 International Business Park Singapore 609922

The Company has on 1 April 2020, announced the completion of purchase of property at 14 International Business Park Singapore 609922 (the "Purchase"). For more information, please refer to the announcement dated 1 April 2020.

BY ORDER OF THE BOARD

Edna Ko Poh Thim
Executive Chairman
28th August 2020