



PEC LTD.

14 International Business Park, Singapore 609922
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Co. Reg. No: 198200079M

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS AND FULL YEAR ENDED 30 JUNE 2022

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A. Condensed interim consolidated statement of profit or loss and other comprehensive income

Results for second half ("2H") and full year ("FY") ended 30 June 2022:

	Group			Group		
	2H 2022	2H 2021	Change	FY 2022	FY 2021	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	232,578	203,707	14%	427,982	379,384	13%
Cost of sales	(150,590)	(157,887)	(5%)	(303,347)	(291,903)	4%
Gross profit	81,988	45,820	79%	124,635	87,481	42%
Gross profit margin	35%	22%		29%	23%	
Other operating income	4,940	7,065	(30%)	6,892	12,697	(46%)
Administrative expenses	(17,957)	(17,333)	4%	(32,740)	(30,336)	8%
(Impairment losses)/write back on financial assets and contract assets	(26,645)	3,867	NM	(27,170)	4,535	NM
Other operating expenses	(22,514)	(20,307)	11%	(43,653)	(48,187)	(9%)
Finance expenses	(553)	(559)	(1%)	(1,090)	(1,188)	(8%)
Share of results of associate	–	572	(100%)	544	839	(35%)
Profit before taxation	19,259	19,125	1%	27,418	25,841	6%
Income tax expense	(8,780)	732	NM	(10,477)	(2,257)	364%
Profit after taxation	10,479	19,857	(47%)	16,941	23,584	(28%)
Profit for the period attributable to:						
Owners of the Company	9,154	18,639	(51%)	14,144	22,334	(37%)
Non-controlling interests	1,325	1,218	9%	2,797	1,250	124%
	10,479	19,857	(47%)	16,941	23,584	(28%)
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	911	(318)	NM	932	(1,976)	NM
<i>Items that will not be reclassified to profit or loss:</i>						
Net fair value changes on equity instrument at fair value through other comprehensive income	–	–	NM	–	(1)	NM
Total other comprehensive income for the period, net of tax	911	(318)	NM	932	(1,977)	NM
Total comprehensive income for the period	11,390	19,539	(42%)	17,873	21,607	(17%)
Total comprehensive income attributable to:						
Owners of the Company	10,265	18,448	(44%)	15,316	20,492	(25%)
Non-controlling interests	1,125	1,091	3%	2,557	1,115	129%
	11,390	19,539	(42%)	17,873	21,607	(17%)
Earnings per share:						
Basic and diluted (SGD in cent)	3.6	7.3		5.6	8.8	

Denotes: NM – not meaningful



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B. Condensed interim statements of financial position

	Group		Company	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	78,257	83,534	35,645	38,637
Investment property	5,236	5,618	–	–
Investment securities	1	1	1	1
Investment in subsidiaries	–	–	53,441	54,737
Investment in an associate	–	6,044	–	354
Intangible assets	49	57	49	57
Prepayments	798	1,076	–	–
Deferred tax assets	3,224	2,315	2,825	2,248
Right-of-use assets	20,022	19,456	14,107	15,009
	<u>107,587</u>	<u>118,101</u>	<u>106,068</u>	<u>111,043</u>
Current assets				
Contract assets	47,081	41,690	16,349	20,468
Inventories	1,065	597	–	–
Trade receivables	76,303	81,966	45,026	55,142
Other receivables and deposits	9,402	8,232	2,586	19,287
Prepayments	1,326	2,202	495	531
Capitalised contract costs	44	11,867	–	–
Amounts due from subsidiaries	–	–	21,002	9,826
Cash and short-term deposits	157,645	145,320	74,739	46,826
	<u>292,866</u>	<u>291,874</u>	<u>160,197</u>	<u>152,080</u>
Total Assets	<u>400,453</u>	<u>409,975</u>	<u>266,265</u>	<u>263,123</u>
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	7,717	42,099	763	1,560
Trade payables	20,041	18,838	12,252	16,907
Other payables and accruals	69,048	63,708	38,971	33,962
Provisions	7,940	7,315	2,831	4,110
Loans and borrowings	9,539	11,304	8,958	10,000
Lease liabilities	2,462	1,525	932	1,025
Income tax payable	9,064	2,054	1,345	248
	<u>125,811</u>	<u>146,843</u>	<u>66,052</u>	<u>67,812</u>
Net current assets	167,055	145,031	94,145	84,268
Non-current liabilities				
Provisions	2,960	2,866	2,809	2,721
Loans and borrowings	3,985	4,347	–	–
Lease liabilities	17,466	17,619	13,768	14,398
Deferred tax liabilities	118	72	–	–
	<u>24,529</u>	<u>24,904</u>	<u>16,577</u>	<u>17,119</u>
Total Liabilities	<u>150,340</u>	<u>171,747</u>	<u>82,629</u>	<u>84,931</u>
Net assets	<u>250,113</u>	<u>238,228</u>	<u>183,636</u>	<u>178,192</u>
Equity attributable to owners of the Company				
Share capital	58,836	58,836	58,836	58,836
Treasury shares	(576)	(576)	(576)	(576)
Statutory reserve	2,481	2,481	–	–
Fair value reserve	(12)	(12)	(12)	(12)
Retained earnings	184,990	177,212	124,779	119,944
Premium paid on acquisition of non-controlling interests	(4,841)	(4,841)	–	–
Foreign currency translation reserve	81	(1,091)	–	–
Share-based compensation reserve	609	–	609	–
	<u>241,568</u>	<u>232,009</u>	<u>183,636</u>	<u>178,192</u>
Non-controlling interests	8,545	6,219	–	–
Total Equity	<u>250,113</u>	<u>238,228</u>	<u>183,636</u>	<u>178,192</u>
Total equity and liabilities	<u>400,453</u>	<u>409,975</u>	<u>266,265</u>	<u>263,123</u>



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C. Condensed interim statements of changes in equity

	----- 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 2021	58,836	(576)	2,481	177,212	(12)	(4,841)	(1,091)	-	232,009	6,219	238,228
Total comprehensive income	-	-	-	14,144	-	-	1,172	-	15,316	2,557	17,873
Dividend paid to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	-	(231)	(231)
Dividends on ordinary shares	-	-	-	(6,366)	-	-	-	-	(6,366)	-	(6,366)
Grant of performance shares to employees	-	-	-	-	-	-	-	609	609	-	609
At 30 June 2022	58,836	(576)	2,481	184,990	(12)	(4,841)	81	609	241,568	8,545	250,113

	----- 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 2020	58,836	(576)	2,481	156,153	(13)	(4,841)	750	-	212,790	3,552	216,342
Total comprehensive income	-	-	-	22,334	(1)	-	(1,841)	-	20,492	1,115	21,607
Transfer of loss on disposal of equity instruments at FVOCI	-	-	-	(2)	2	-	-	-	-	-	-
Dividends on ordinary shares	-	-	-	(1,273)	-	-	-	-	(1,273)	-	(1,273)
Dilution of interest in subsidiary	-	-	-	-	-	-	-	-	-	1,546	1,546
Disposal of subsidiary	-	-	-	-	-	-	-	-	-	6	6
At 30 June 2021	58,836	(576)	2,481	177,212	(12)	(4,841)	(1,091)	-	232,009	6,219	238,228



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C. Condensed interim statements of changes in equity (cont'd)

<u>COMPANY</u>	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 2021	58,836	(576)	119,944	(12)	–	178,192
Total comprehensive income	–	–	11,201	–	–	11,201
Dividends on ordinary shares	–	–	(6,366)	–	–	(6,366)
Grant of performance shares to employees	–	–	–	–	609	609
At 30 June 2022	58,836	(576)	124,779	(12)	609	183,636

<u>COMPANY</u>	Share Capital	Treasury shares	Retained earnings	Fair value reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2020	58,836	(576)	99,612	(13)	157,859
Total comprehensive income	–	–	21,607	(1)	21,606
Dividends on ordinary shares	–	–	(1,273)	–	(1,273)
Transfer of loss on disposal of equity instruments at FVOCI	–	–	(2)	2	–
At 30 June 2021	58,836	(576)	119,944	(12)	178,192



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D. Condensed interim consolidated statement of cash flows

	Group	
	FY 2022	FY 2021
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	27,418	25,841
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	11,739	12,038
Depreciation of investment properties	158	155
Gain on disposal of property, plant and equipment, net	(159)	(908)
Gain on de-recognition of leases	–	(3)
Gain on disposal of subsidiary	–	(128)
Write back on property, plant and equipment	–	(20)
Impairment losses/(write back) on financial assets and contract assets	27,170	(4,535)
Provision, net	228	482
Unrealised exchange differences	(2,446)	1,408
Amortisation of intangible assets	8	8
Amortisation of capitalised contract costs	12,231	9,525
Depreciation of right-of-use assets	2,038	2,212
Share-based compensation expense	609	–
Share of results of associate	(544)	(839)
Interest income	(472)	(452)
Interest expense	1,090	1,188
Operating cash flows before working capital changes	79,068	45,972
Increase in contract assets	(7,392)	(5,580)
Decrease in contract liabilities	(34,845)	(24,541)
Increase in capitalised contract costs	(396)	(938)
Decrease/(increase) in inventories	448	(147)
(Increase)/decrease in trade receivables, other receivables and deposits, and prepayments	(13,635)	63,729
Increase/(decrease) in trade and other payables and accruals	2,456	(18,598)
Cash flows generated from operations	25,704	59,897
Tax paid	(4,408)	(3,471)
Interest paid	(995)	(1,097)
Interest received	472	452
Net cash flows generated from operating activities	20,773	55,781
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	48	1,057
Proceeds from liquidation of subsidiaries	–	504
Proceeds from disposal of investment property	461	–
Net cash inflow on acquisition of a subsidiary	1,309	–
Purchase of property, plant and equipment	(5,974)	(4,584)
Net cash outflow from disposal of subsidiary	–	(2)
Dividend income from an associate	3,043	245
Net cash flows used in investing activities	(1,113)	(2,780)
Cash flows from financing activities		
Proceeds from loans and borrowings	1,001	5,610
Repayment of loans and borrowings	(3,089)	(8,856)
Payment of principal portion of lease liabilities	(1,829)	(1,897)
Investment by subsidiary's minority shareholders	1,561	–
Dividends paid on ordinary shares	(6,366)	(1,273)
Dividends paid to non-controlling interest	(232)	–
Net cash flows used in financing activities	(8,954)	(6,416)
Net increase in cash and cash equivalents	10,706	46,585
Effect of exchange rate changes on cash and cash equivalents	1,619	(1,334)
Cash and cash equivalents at beginning of the period	145,320	100,069
Cash and cash equivalents at end of the period	157,645	145,320



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E. Notes to the condensed interim consolidated financial statements

1. CORPORATE INFORMATION

PEC Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited. These condensed interim consolidated financial statements as at and for the six months ended 30 June 2022 comprise the Company and its subsidiaries (collectively, the Group).

The registered office and principal place of business of the Company is located at 14 International Business Park, Singapore 609922.

The principal activities of the Company are the provision of mechanical engineering and contracting services.

2. Basis of preparation

In accordance with Rule 705(3A), the condensed interim consolidated financial statements for the six months ended 30 June 2022 of the Group and the balance sheet of the Company have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last interim financial statements for the period ended 31 December 2021.

The condensed interim consolidated financial statements are presented in Singapore Dollars (SGD or \$), and have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

3. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Group's condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

In the process of applying the Group's accounting policies, management has not made any significant judgments, which have a significant effect on the carrying amounts of assets and liabilities recognised in the financial statements within the next financial period.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

a) *Recognition of contract revenue*

Contract revenue comprises the initial amount of revenue agreed in the contracts, including variation orders. The Group recognises certain contract revenue over time, based on the contract costs incurred to date as a proportion of the estimated total contract costs to be incurred. Significant assumptions are required in determining the total contract costs and the recoverable amount of variation works that affect the completion progress and the amount of revenue recognised. In making these estimates, management has relied on past experience and knowledge of the project managers.

If the estimated total contract cost of major projects had been 10% higher/lower than management's estimate, the revenue recognised for project works for the current financial year would have been approximately \$1,700,000 (2021: \$15,500,000) lower and \$2,000,000 (2021: \$20,300,000) higher respectively.



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3. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (cont'd)

b) *Provision for expected credit losses on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The ECLs also incorporate forward-looking information relating to the oil and gas industry.

The assessment of the historical observed default rates and forward-looking information involves significant estimates and judgement. The Group's historical credit loss experience and forward looking information may also not be representative of customer's actual default in the future.

c) *Impairment assessment of investment in subsidiaries*

Investment in subsidiaries is tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgement is required to determine if any such indication exists. Based on the evaluation of both internal and external sources of information, if any such indication exists, management assess the recoverable amount of the investment in subsidiaries.

During the financial year end, management has performed an impairment test for the Company's investment in a subsidiary. In management's assessment, there is no need for impairment (2021: \$nil) for the year ended 30 June 2022.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

d) *Impairment assessment of property, plant and equipment and right-of-use assets*

The carrying amount of the property, plant and equipment and right-of-use assets are reviewed annually by management to assess whether there are indicators of impairment. In assessing whether there is any indicator of impairment, management has assessed both external and internal sources of information as well as consideration of the business impact from the COVID-19 pandemic. Based on management's assessment, there is \$nil (2021: \$18,479) site equipment which was assessed to be obsolete, there was no indicator of impairment of the Group's other property, plant and equipment and right-of-use assets.

The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

4. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

5. Segment information

Segmented 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's segmental results for the year ended 30 June 2022 is as follows:

These operating segments are reported in a manner consistent with internal reporting provided to the Executive Directors who are responsible for allocating resources and assessing performance of the operating segments.



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5. Segment information (cont'd)

A) Business Segment

	Project works S\$'000	Plant maintenance and related services S\$'000	Other operations S\$'000	Eliminations S\$'000	Total S\$'000
2H 2022					
Revenue	117,306	115,080	192	–	232,578
Inter-segment sales	5,908	6,679	1,151	(13,738)	–
Total revenue	123,214	121,759	1,343	(13,738)	232,578
Gross profit:					
Segment results	59,334	22,615	39	–	81,988
Unallocated expenses and income, net					(28,596)
Interest income					248
Depreciation and amortisation	(3,678)	(1,009)	(65)	–	(4,752)
Unallocated depreciation and amortisation					(2,431)
Impairment losses on financial assets and contract assets, net	(26,629)	(16)	–	–	(26,645)
Finance expenses					(553)
Profit before taxation					19,259
Income tax expense					(8,780)
Profit for the period					10,479
Assets:					
Additions to property, plant and equipment	167	459	470	–	1,096

	Project works S\$'000	Plant maintenance and related services S\$'000	Other operations S\$'000	Eliminations S\$'000	Total S\$'000
2H 2021					
Revenue	107,677	95,875	155	–	203,707
Inter-segment sales	8,100	5,415	1,544	(15,059)	–
Total revenue	115,777	101,290	1,699	(15,059)	203,707
Gross profit:					
Segment results	22,713	23,079	28	–	45,820
Unallocated expenses and income, net					(24,068)
Interest income					292
Depreciation and amortisation	(3,267)	(908)	(62)	–	(4,237)
Unallocated depreciation and amortisation					(2,582)
Write back of Impairment losses on property, plant and equipment	20	–	–	–	20
Write back of impairment losses on financial assets and contract assets	3,257	–	610	–	3,867
Finance expenses					(559)
Share of results of associates	–	–	572	–	572
Profit before taxation					19,125
Income tax expense					732
Profit for the period					19,857
Assets:					
Additions to property, plant and equipment	402	672	226	–	1,300
Investment in an associate	–	–	6,044	–	6,044



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5. Segment information (cont'd)

A) Business Segment (cont'd)

	Project works S\$'000	Plant maintenance and related services S\$'000	Other operations S\$'000	Eliminations S\$'000	Total S\$'000
FY 2022					
Revenue	201,595	225,908	479	–	427,982
Inter-segment sales	13,228	14,980	1,869	(30,077)	–
Total revenue	214,823	240,888	2,348	(30,077)	427,982
Gross profit:					
Segment results	72,990	51,559	86	–	124,635
Unallocated expenses and income, net					(56,030)
Interest income					472
Depreciation and amortisation	(6,977)	(1,977)	(125)	–	(9,079)
Unallocated depreciation and amortisation					(4,864)
Impairment losses on financial assets and contract assets, net	(27,154)	(16)	–	–	(27,170)
Finance expenses					(1,090)
Share of results of associates	–	–	544	–	544
Profit before taxation					27,418
Income tax expense					(10,477)
Profit for the year					16,941
Assets:					
Additions to property, plant and equipment	2,663	2,531	780	–	5,974
FY 2021					
Revenue	203,123	175,962	299	–	379,384
Inter-segment sales	15,270	11,232	2,838	(29,340)	–
Total revenue	218,393	187,194	3,137	(29,340)	379,384
Gross profit:					
Segment results	43,536	43,903	42	–	87,481
Unallocated expenses and income, net					(51,885)
Interest income					452
Depreciation and amortisation	(6,848)	(1,795)	(149)	–	(8,792)
Unallocated depreciation and amortisation					(5,621)
Write back of Impairment losses on property, plant and equipment	20	–	–	–	20
Write back of impairment losses on financial assets and contract assets	3,923	6	606	–	4,535
Finance expenses					(1,188)
Share of results of associates	–	–	839	–	839
Profit before taxation					25,841
Income tax expense					(2,257)
Profit for the year					23,584
Assets:					
Additions to property, plant and equipment	2,809	1,118	657	–	4,584
Investment in an associate	–	–	6,044	–	6,044



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5) Segment information (cont'd)

B) Geographical Segment

	Singapore	China	Middle East	Others	Eliminations	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2H 2022						
Revenue	124,831	25,321	64,780	17,646	–	232,578
Inter-segment sales	7,408	93	–	6,237	(13,738)	–
Segment Revenue	132,239	25,414	64,780	23,883	(13,738)	232,578
Assets:						
Non-current assets	122,988	12,191	6,360	17,626	(54,802)	104,363
2H 2021						
Revenue	115,268	23,339	49,210	15,890	–	203,707
Inter-segment sales	9,548	123	–	5,388	(15,059)	–
Segment Revenue	124,816	23,462	49,210	21,278	(15,059)	203,707
Assets:						
Non-current assets	133,169	11,635	7,072	18,646	(54,736)	115,786
FY 2022						
Revenue	227,013	66,041	99,705	35,223	–	427,982
Inter-segment sales	15,341	211	–	14,525	(30,077)	–
Segment Revenue	242,354	66,252	99,705	49,748	(30,077)	427,982
Asset:						
Non-current assets	122,988	12,191	6,360	17,626	(54,802)	104,363
FY 2021						
Revenue	201,210	43,076	76,865	58,233	–	379,384
Inter-segment sales	18,213	245	–	10,882	(29,340)	–
Segment Revenue	219,423	43,321	76,865	69,115	(29,340)	379,384
Asset:						
Non-current assets	133,169	11,635	7,072	18,646	(54,736)	115,786



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6. Dissaggregation of revenue

	Project works S\$'000	Plant maintenance and related services S\$'000	Other operations S\$'000	Total S\$'000
2H 2022				
Primary geographical markets				
Singapore	53,460	71,192	179	124,831
Middle East	55,537	9,243	–	64,780
China	–	25,321	–	25,321
Others	8,309	9,324	13	17,646
	117,306	115,080	192	232,578
Timing of transfer of goods and services				
At a point in time	13,789	105,837	192	119,818
Over time	103,517	9,243	–	112,760
	117,306	115,080	192	232,578
2H 2021				
Primary geographical markets				
Singapore	58,597	56,557	114	115,268
Middle East	41,579	7,631	–	49,210
China	–	23,339	–	23,339
Others	7,501	8,348	41	15,890
	107,677	95,875	155	203,707
Timing of transfer of goods and services				
At a point in time	11,658	88,244	155	100,057
Over time	96,019	7,631	–	103,650
	107,677	95,875	155	203,707
FY 2022				
Primary geographical markets				
Singapore	105,869	120,728	416	227,013
Middle East	81,790	17,915	–	99,705
China	–	66,041	–	66,041
Others	13,936	21,224	63	35,223
	201,595	225,908	479	427,982
Timing of transfer of goods and services				
At a point in time	26,319	207,993	479	234,791
Over time	175,276	17,915	–	193,191
	201,595	225,908	479	427,982
FY 2021				
Primary geographical markets				
Singapore	101,137	99,819	254	201,210
Middle East	63,631	13,234	–	76,865
China	–	43,076	–	43,076
Others	38,355	19,833	45	58,233
	203,123	175,962	299	379,384
Timing of transfer of goods and services				
At a point in time	23,240	162,727	299	186,266
Over time	179,883	13,235	–	193,118
	203,123	175,962	299	379,384



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6. Dissaggregation of revenue (cont'd)

A breakdown of sales as follows:

	Group		
	FY2022	FY2021	
	S\$'000	S\$'000	Change %
(a) Sales reported for first half year	195,404	175,677	11%
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	6,462	3,727	73%
(c) Sales reported for second half year	232,578	203,707	14%
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	10,479	19,857	(47%)

7. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2022 and 30 June 2021.

	Group		Company	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Financial Assets				
At fair value through other comprehensive income (FVOCI)				
- Investment securities	1	1	1	1
At amortised costs				
- Trade receivables, other receivables and deposits, loan due from subsidiaries and cash and short-term deposits	243,350	235,518	143,353	131,081
Financial Liabilities				
At amortised costs				
- Trade and other payables, lease liabilities, loans and borrowings	120,912	114,260	72,619	72,730



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8. Profit before taxation

Significant items

	Group		Group	
	2H 2022	2H 2021	FY 2022	FY 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of right-of-use assets	(1,074)	(852)	(2,038)	(2,212)
Amortisation of intangible assets	(4)	(4)	(8)	(8)
Depreciation of property, plant and equipment	(6,024)	(5,885)	(11,739)	(12,038)
Depreciation of investment property	(81)	(78)	(158)	(155)
(Impairment losses)/write back on financial assets and contract assets	(26,645)	3,867	(27,170)	4,535
Write back on property, plant and equipment	–	20	–	20
Recovery of cash previously written off	–	–	–	203
Gain on disposal of subsidiary	–	128	–	128
Interest expense	(149)	(156)	(276)	(349)
Interest expense on lease liabilities	(358)	(358)	(720)	(747)
Interest expense on reinstatement cost	(48)	(45)	(95)	(91)
Exchange gain/(loss), net	2,740	1,966	3,430	(2,191)
Gain on disposal of property, plant and equipment, net	145	553	159	908
Insurance claim	101	190	199	288
Interest income	248	292	472	452
Sundry income	478	149	898	921

9. Related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Group	
	2H 2022	2H 2021	FY 2022	FY 2021
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Related parties:</i>				
Revenue from sale of information systems	10	5	58	13
Revenue from system installation	41	1	43	5
Office rental expenses	–	(123)	–	(254)
Recharge of utility expenses	–	(21)	–	(39)
<i>Associate:</i>				
Revenue from manpower supply and engineering works	–	15	5	25
Revenue from IT services	–	35	13	58
Subcontractors charges and manpower charges	–	(50)	(299)	(54)



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10. Taxation

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group		Group	
	2H 2022	2H 2021	FY 2022	FY 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Current year tax expense	10,381	217	11,931	2,916
Origination and reversal of deferred tax	(2,301)	(1,848)	(2,301)	(1,848)
Withholding tax	700	899	847	1,189
	<u>8,780</u>	<u>(732)</u>	<u>10,477</u>	<u>2,257</u>

11. Dividends

	Group	
	FY 2022	FY 2021
	S\$'000	S\$'000
Ordinary dividends paid:		
Final exempt 2021 dividend of 2.5 (2020: 0.5) cents per share	6,366	1,273

12. Net asset value

	Group		Company	
	30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	94.9	91.1	72.1	70.0
No. of shares in computing NAV ('000)	254,644	254,644	254,644	254,644

13. Fair value measurement

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

The following table shows an analysis of each class of assets carried at fair value by level of fair value hierarchy:

	Group	
	FY 2022	FY 2021
	S\$'000	S\$'000
Financial assets:		
Equity instruments at FVOCI		
- Investment securities (quoted prices in active markets) (Level 1)	1	1



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14. Property, plant and equipment

During the six months ended 30 June 2022, the Group acquired assets amounting to \$1,095,643 (30 June 2021: \$1,300,389) and disposed of assets amounting to \$1,585,715 (30 June 2021: \$5,880,846).

15. Investment properties

Investment properties are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Fair value of the investment properties amounted to \$6,570,000 (2021: \$7,120,000) by reference to comparable market transactions that consider recent sale of similar properties that have been transacted in the open market.

16. Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2022		As at 30 June 2021	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,043	8,958	2,829	10,000

Amount repayable after one year

As at 30 June 2022		As at 30 June 2021	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
21,451	–	21,966	–

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.

17. Share capital

	The Group and the Company			
	30 June 2022		30 June 2021	
	Number of shares	Amount	Number of shares	Amount
	'000	S\$'000	'000	S\$'000
Issued and fully paid ordinary shares:				
As at beginning and end of the financial year	255,715	58,836	255,715	58,836

The Company holds 1,070,937 treasury shares as at 30 June 2022.

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2022 and 30 June 2021.



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18. Acquisition of equity interest in associate

Acquisition of 51% equity in associate, Plant Electrical Instrumentation Pte Ltd.

The Company has on 3 December 2021, entered into a sale and purchase agreement ("SPA") with Yokogawa Engineering Asia Pte. Ltd. ("Yokogawa"), pursuant to which the Company will acquire from Yokogawa 51% of the total equity interest ("Equity") in the registered capital of Plant Electrical Instrumentation Pte Ltd for a cash consideration of \$255,000. The consideration was arrived at on the basis of the net book value of PEI based on its management accounts as at 31 October 2021 and is not expected to have any material impact on the net tangible assets and earnings per share of the Company and the Group for the financial year ending 30 June 2022. For more information, please refer to the announcement dated 3 December 2021.

19. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.



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OTHER INFORMATION REQUIRED BY LISTING RULE APPENDIX 7.2



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20. **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	
	As at 30 June 2022	As at 30 June 2021
Issued and fully paid ordinary shares:		
As at beginning and end of year	254,643,826	254,643,826

21. **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 2022	As at 30 June 2021
Total number of issued shares excluding treasury shares	254,643,826	254,643,826

22. **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	
	As at 30 June 2022	As at 30 June 2021
Treasury shares:		
As at beginning and end of year	1,070,937	1,070,937

23. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The condensed consolidated statement of financial position of PEC Ltd and its subsidiaries as at 30 June 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the year then ended and certain explanatory notes have not been audited or reviewed.

24. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications, disclaimer of opinion, adverse opinion or emphasis of a matter).**

Not applicable.

25. **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.



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26. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards that are effective for annual financial periods beginning on or after 1 July 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

27. 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.

28. 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 2022	2H 2021	FY 2022	FY 2021
Weighted average number of ordinary shares for basic earnings per share computation ('000)	254,644	254,644	254,644	254,644
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	254,644	254,644	254,644	254,644
Earnings per share (cents per share)				
- Basic	3.6	7.3	5.6	8.8
- Diluted	3.6	7.3	5.6	8.8

29. Review of performance of the Group

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 FY2022

Revenue

The Group's revenue increased by S\$48.6 million from S\$379.4 million in FY2021 to S\$428.0 million in FY2022. This was mainly due to revenue increase from maintenance services in the region.

Cost of sales

The Group's cost of sales increased by S\$11.4 million from S\$291.9 million in FY2021 to S\$303.3 million in FY2022 mainly due to an increase in labour and other direct costs. The increase was partially offset by a decrease in materials cost.



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29. Review of performance of the Group (cont'd)

Gross profit and gross profit margin

The Group's gross profit increased by S\$37.1 million from S\$87.5 million in FY2021 to S\$124.6 million in FY2022. The Group's profit margin increased from 23% in FY2021 to 29% in FY2022.

The increase in Group's gross profit and margin were mainly attributable to project settlements from project works in FY2022.

Other operating income

Other operating income decreased by S\$5.8 million from S\$12.7 million in FY2021 to S\$6.9 million in FY2022. This was mainly due to decrease in gain on disposal of assets, government grants and subsidies received. The decrease was partially offset by an increase in gain on forex (primarily due to appreciation of USD).

Administrative expenses

Administrative expenses increased by S\$2.4 million from S\$30.3 million in FY2021 to S\$32.7 million in FY2022. This was mainly due to increase in salaries remuneration, bank charges and general administrative expenses.

Impairment losses on financial assets and contract assets

The impairment losses on financial assets and contract assets increased to S\$27.2 million in FY2022 as compared to a write back of S\$4.5 million in FY2021.

The increase was mainly due to the Group's assessment of the overall expected credit loss for the receivables and contract assets, of which an additional specific impairment of S\$22 million (approximately) was provided for a long overdue amount (in respect of which no payment was received for the current financial year) relating to a completed overseas project.

Other operating expenses

Other operating expenses decreased by S\$4.5 million from S\$48.2 million in FY2021 to S\$43.7 million in FY2022. This was mainly due to decrease in other operating cost such as workers accommodation, employee welfare and transport expenses. The decrease was also due to a decrease in loss on forex (primarily due to appreciation of USD).

The decrease was partially offset by an increase in freight forwarding expenses, insurance, personal protective equipment and safety related costs.

Finance expenses

Finance expenses decreased by S\$0.1 million from S\$1.2 million in FY2021 to S\$1.1 million in FY2022. This was mainly due to decrease in interest expense on loans and short-term financings.

Share of results of associate

Share of results of associate decrease by S\$0.3 million from S\$0.8 million in FY2021 to S\$0.5 million in FY2022.

Taxation

The income tax expenses increased by S\$8.2 million from S\$2.3 million in FY2021 to S\$10.5 million in FY2022. The higher income tax provision in FY2022 was due mainly to non-tax deduction for the impairment loss provision on financial assets and contract assets.



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29. Review of performance of the Group (cont'd)

Balance Sheet Review

The Group's non-current assets decreased by S\$10.5 million from S\$118.1 million in FY2021 to S\$107.6 million in FY2022. This was mainly due to decrease in property, plant and equipment, investment property, investment in an associate, intangible assets and prepayments. The decrease was partially offset by an increase in deferred tax assets.

The decrease in investment in an associate was due to acquisition of 51% equity interest in Plant Electrical Instrumentation Pte Ltd (PEI). (Refer to SGX announcement on 3 December 2021).

The Group's current assets increased by S\$1.0 million from S\$291.9 million in FY2021 to S\$292.9 million in FY2022. This was mainly due to an increase in contract assets, inventories, other receivables and deposits, cash and short-term deposits. The increase was partially offset by a decrease in trade receivables, prepayments and capitalised contract costs.

The Group's current liabilities decreased by S\$21.0 million from S\$146.8 million in FY2021 to S\$125.8 million in FY2022. This was mainly due to a decrease in contract liabilities (following the completion of project works), loans and borrowings. The decrease was partially offset by an increase in trade payables, other payables and accruals, provisions, lease liabilities and income tax payable.

The Group's non-current liabilities decreased by S\$0.4 million from S\$24.9 million in FY2021 to S\$24.5 million in FY2022. This was mainly due to a decrease in lease liabilities, loans and borrowings. The decrease was partially offset by an increase in deferred tax liabilities.

Cash Flow Review

Net cash generated from operating activities for the Group in FY2022 was S\$20.8 million.

The Group had used S\$1.1 million in investing activities in FY2022. This was mainly attributable to purchase of construction equipment, motor vehicles and office equipment to support the business operation. The amount was partially offset by proceeds from disposal of investment property, net cash inflow and dividend income arising from the acquisition of 51% equity interest in PEI.

The Group had used S\$8.9 million in financing activities in FY2022 which was mainly due to the net repayment of borrowings, dividend payment to shareholders and payment of lease liabilities. This was partially offset by investment of subsidiary's minority shareholders.

As a result of the above, there was an increase in cash and cash equivalents of S\$10.7 million to S\$157.6 million in FY2022.

30. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not Applicable.



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31. 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 outlook of the global energy and chemicals sectors has seen a recovery since the beginning of 2021. The energy and chemicals sectors are expected to increase investments in decarbonisation and recycling technologies to lower their carbon footprint. The current geopolitical tensions create uncertainty. In addition, the immediate operating environment remains challenging as a result of keen price competition, widespread inflation, rising labour costs, and slower economic growth.

The Group remains cautiously optimistic in its outlook for projects and maintenance services over the medium term and will focus its efforts on widening its market reach and capabilities, especially in the area of modular solutions for offshore and onshore operations to capture opportunities in the rising trend in renewable and clean energy transition in Asia and the Middle East.

The orderbook stood at approximately S\$128.4 million as at 30 June 2022, excluding maintenance contracts.

32. 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:

	FY2022
Name of dividend	Final
Dividend type	Cash
Ordinary Dividend	2.5 cents per share
Special Dividend	1.0 cent per share
Tax rate	One-Tier

(b) Corresponding Period of the Immediate Preceding Financial Year

	FY2021
Name of dividend	Final
Dividend type	Cash
Ordinary Dividend	2.5 cents per share
Tax rate	One-Tier

(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.

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

Not applicable.



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34. Interested person transaction

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

35. Relating to an announcement of interim financial statements (quarterly or half-yearly), confirmation from directors under Rule 705(5)

Not applicable.

36. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Company has received undertaking from all its directors and executive officers (in the format as set out in Appendix 7.7) under Rule 720(1) of the Listing Manual of the SGX-ST.

37. Disclosure on Acquisitions and Realisations Pursuant to Rule 706A

a) Please refer to note 18 with reference to below announcement.

Date	Details	Announcement Reference No.
3 December 2021	Acquisition of equity interest in Plant Electrical Instrumentation Pte Ltd	SG211203OTHR8A5W



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38. **Disclosure of persons occupying managerial position in the issuer 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	57	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

BY ORDER OF THE BOARD

Edna Ko Poh Thim
Executive Chairman
29th August 2022