



PEC LTD.

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

CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

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

Results for first half ("1H") ended 31 December 2022:

Note	Group		Change
	1H 2023 S\$'000	1H 2022 S\$'000	
Revenue	190,964	195,404	(2%)
Cost of sales	(146,575)	(152,757)	(4%)
Gross profit	44,389	42,647	4%
Gross profit margin	23%	22%	
Other operating income	1,796	1,952	(8%)
Administrative expenses	(16,008)	(14,783)	8%
Write back/(impairment losses) on financial assets and contract assets	15	(525)	(103%)
Other operating expenses	(24,000)	(21,139)	14%
Finance expenses	(601)	(537)	12%
Share of results of associate	—	544	(100%)
Profit before taxation	5,591	8,159	(31%)
Income tax expense	(2,081)	(1,697)	23%
Profit after taxation	3,510	6,462	(46%)
Profit for the period attributable to:			
Owners of the Company	2,862	4,990	(43%)
Non-controlling interests	648	1,472	(56%)
	3,510	6,462	(46%)
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation	(5,133)	21	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
Total other comprehensive income for the period, net of tax	(5,133)	21	NM
Total comprehensive income for the period	(1,623)	6,483	NM
Total comprehensive income attributable to:			
Owners of the Company	(1,884)	5,051	NM
Non-controlling interests	261	1,432	(82%)
	(1,623)	6,483	NM
Earnings per share:			
Basic and diluted (SGD in cent)	1.1	2.0	

Denotes: NM – not meaningful



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B. Condensed interim statements of financial position

	Group		Company	
Note	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	72,951	78,257	33,711	35,645
Investment property	4,768	5,236	—	—
Investment securities	1	1	1	1
Investment in subsidiaries	—	—	52,922	53,441
Intangible assets	45	49	45	49
Prepayments	699	797	—	—
Deferred tax assets	3,223	3,224	2,825	2,825
Right-of-use assets	33,048	20,022	13,888	14,107
	<u>114,735</u>	<u>107,586</u>	<u>103,392</u>	<u>106,068</u>
Current assets				
Contract assets	39,000	47,081	7,015	16,349
Inventories	778	1,065	—	—
Trade receivables	93,467	76,303	74,486	45,026
Other receivables and deposits	11,036	9,403	2,796	2,586
Prepayments	2,289	1,326	1,190	495
Capitalised contract costs	38	44	—	—
Amounts due from subsidiaries	—	—	14,033	21,002
Cash and short-term deposits	138,521	157,645	46,053	74,739
	<u>285,129</u>	<u>292,867</u>	<u>145,573</u>	<u>160,197</u>
Total Assets	399,864	400,453	248,965	266,265
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	20,597	7,717	11,572	763
Trade payables	24,705	20,041	11,741	12,252
Other payables and accruals	53,525	69,049	27,191	38,971
Provisions	8,935	7,940	2,550	2,831
Loans and borrowings	4,542	9,539	3,333	8,958
Lease liabilities	2,298	2,462	455	932
Income tax payable	7,370	9,064	733	1,345
	<u>121,972</u>	<u>125,812</u>	<u>57,575</u>	<u>66,052</u>
Net current assets	163,157	167,055	87,998	94,145
Non-current liabilities				
Provisions	3,009	2,960	2,856	2,809
Loans and borrowings	3,801	3,985	—	—
Lease liabilities	31,011	17,466	14,103	13,768
Deferred tax liabilities	113	118	—	—
	<u>37,934</u>	<u>24,529</u>	<u>16,959</u>	<u>16,577</u>
Total Liabilities	159,906	150,341	74,534	82,629
Net assets	239,958	250,112	174,431	183,636
Equity attributable to owners of the Company				
Share capital	58,836	58,836	58,836	58,836
Treasury shares	(670)	(576)	(670)	(576)
Statutory reserve	2,480	2,481	—	—
Fair value reserve	(12)	(12)	(12)	(12)
Retained earnings	178,944	184,989	115,197	124,779
Premium paid on acquisition of non-controlling interests	(4,841)	(4,841)	—	—
Foreign currency translation reserve	(4,665)	81	—	—
Share-based compensation reserve	1,080	609	1,080	609
	<u>231,152</u>	<u>241,567</u>	<u>174,431</u>	<u>183,636</u>
Non-controlling interests	8,806	8,545	—	—
Total Equity	239,958	250,112	174,431	183,636
Total equity and liabilities	399,864	400,453	248,965	266,265



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C. Condensed interim statements of changes in equity

GROUP

GROUP	----- Attributable to owners of the Company -----										
						Premium paid on acquisition of non- controlling interests	Share-based compensation reserve	Foreign currency translation reserve	Equity attributable to owners of the company, total	Non- controlling interests	Equity, total
	Share Capital	Treasury shares	Statutory Reserve	Retained earnings	Fair value reserve						
	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 2022	58,836	(576)	2,481	184,989	(12)	(4,841)	609	81	241,567	8,545	250,112
Total comprehensive income	—	—	—	2,862	—	—	—	(4,746)	(1,884)	261	(1,623)
Dividends on ordinary shares	—	—	—	(8,907)	—	—	—	—	(8,907)	—	(8,907)
Purchase of treasury shares	—	(94)	—	—	—	—	—	—	(94)	—	(94)
Liquidation of subsidiary	—	—	(1)	—	—	—	—	—	(1)	—	(1)
Grant of performance shares to employees	—	—	—	—	—	—	471	—	471	—	471
At 31 December 2022	58,836	(670)	2,480	178,944	(12)	(4,841)	1,080	(4,665)	231,152	8,806	239,958

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 2021	58,836	(576)	2,481	177,212	(12)	(4,841)	(1,091)	232,009	6,219	238,228
Total comprehensive income	–	–	–	4,990	–	–	61	5,051	1,432	6,483
Dividends on ordinary shares	–	–	–	(6,366)	–	–	–	(6,366)	–	(6,366)
Dilution of interest in subsidiary	–	–	–	–	–	–	–	–	(232)	(232)
At 31 December 2021	58,836	(576)	2,481	175,836	(12)	(4,841)	(1,030)	230,694	7,419	238,113



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

<u>COMPANY</u>	Share Capital	Treasury shares	Retained earnings	Share-based compensation reserve	Fair value reserve	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 July 2022	58,836	(576)	124,779	609	(12)	183,636
Total comprehensive income	—	—	(675)	—	—	(675)
Dividends on ordinary shares	—	—	(8,907)	—	—	(8,907)
Purchase of treasury shares	—	(94)	—	—	—	(94)
Grant of performance shares to employees	—	—	—	471	—	471
At 31 December 2022	58,836	(670)	115,197	1,080	(12)	174,431

<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 2021	58,836	(576)	119,944	(12)	178,192
Total comprehensive income	—	—	9,438	—	9,438
Dividends on ordinary shares	—	—	(6,366)	—	(6,366)
At 31 December 2021	58,836	(576)	123,016	(12)	181,264



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D. Condensed interim consolidated statement of cash flows

	Group	
	1H 2023	1H 2022
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	5,591	8,159
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	5,714	5,715
Depreciation of investment properties	70	77
Loss/(gain) on disposal of property, plant and equipment, net	16	(14)
Gain on disposal of investment property	(132)	–
Gain on disposal of subsidiary	(18)	–
(Write back)/impairment losses on financial assets and contract assets	(15)	525
Provision, net	1,071	784
Unrealised exchange differences	873	(1,345)
Amortisation of intangible assets	4	4
Amortisation of capitalised contract costs	7	4,789
Depreciation of right-of-use assets	1,240	964
Share-based payment expense	471	–
Share of results of associate	–	(544)
Interest income	(870)	(224)
Interest expense	601	536
Operating cash flows before working capital changes	14,623	19,426
Decrease in contract assets	7,515	13,547
Increase in contract liabilities	12,879	445
Increase in capitalised contract costs	(2)	(326)
Decrease/(increase) in inventories	281	(484)
Increase in trade receivables, other receivables and deposits, and prepayments	(21,411)	(14,241)
Decrease in trade and other payables and accruals	(9,318)	(7,250)
Cash flows generated from operations	4,567	11,117
Tax paid	(3,514)	(952)
Interest paid	(540)	(490)
Interest received	870	224
Net cash flows generated from operating activities	1,383	9,899
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	118	17
Proceeds from disposal of investment property	470	–
Dividend income from associate	–	3,043
Net cash inflow on acquisition of a subsidiary	–	1,309
Purchase of property, plant and equipment	(2,335)	(4,878)
Net cash flows used in investing activities	(1,747)	(509)
Cash flows from financing activities		
Proceeds from loans and borrowings	880	658
Dividends paid on ordinary shares	(8,907)	(6,366)
Dividends paid to non-controlling interests	–	(232)
Repayment of loans and borrowings	(6,067)	(1,556)
Leases paid at lease commencement	(24)	–
Purchase of treasury shares	(94)	–
Payment of principal portion of lease liabilities	(910)	(1,006)
Net cash flows used in financing activities	(15,122)	(8,502)
Net (decrease)/increase in cash and cash equivalents	(15,486)	888
Effect of exchange rate changes on cash and cash equivalents	(3,638)	698
Cash and cash equivalents at beginning of the period	157,645	145,320
Cash and cash equivalents at end of the period	138,521	146,906



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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 31 December 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 31 December 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 30 June 2022.

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.



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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 such as forecasted oil prices.

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 the forecasted oil prices 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 period end, management has performed an impairment test for the Company's investment in a subsidiary. In management's assessment, there is no need for additional impairment (1H 2022: Nil) for the period ended 31 December 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 (2022: NIL) 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 period ended 31 December 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	Elimina- tions S\$'000	Total S\$'000
1H 2023					
Revenue	90,087	100,733	144	–	190,964
Inter-segment sales	10,666	6,060	1,197	(17,923)	–
Total revenue	100,753	106,793	1,341	(17,923)	190,964
Gross profit:					
Segment results	19,136	25,231	22	–	44,389
Unallocated expenses and income, net					(32,054)
Interest income					870
Depreciation and amortisation	(3,631)	(977)	(62)	–	(4,670)
Unallocated depreciation and amortisation					(2,358)
Write back on financial assets and contract assets, net	–	15	–	–	15
Finance expenses					(601)
Profit before taxation					5,591
Income tax expense					(2,081)
Profit for the period					3,510
Assets:					
Additions to property, plant and equipment	753	1,287	295	–	2,335
	Project works S\$'000	Plant maintenance and related services S\$'000	Other operations S\$'000	Elimina- tions S\$'000	Total S\$'000
1H 2022					
Revenue	84,289	110,828	287	–	195,404
Inter-segment sales	7,320	8,302	717	(16,339)	–
Total revenue	91,609	119,130	1,004	(16,339)	195,404
Gross profit:					
Segment results	13,655	28,945	47	–	42,647
Unallocated expenses and income, net					(27,434)
Interest income					224
Depreciation and amortisation	(3,298)	(968)	(60)	–	(4,326)
Unallocated depreciation and amortisation					(2,434)
Impairment losses on financial assets and contract assets, net	(525)	–	–	–	(525)
Finance expenses					(537)
Share of results of associates	–	–	544	–	544
Profit before taxation					8,159
Income tax expense					(1,697)
Profit for the period					6,462
Assets:					
Additions to property, plant and equipment	2,497	2,072	309	–	4,878



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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
1H 2023						
Revenue	135,864	26,069	9,024	20,007	–	190,964
Inter-segment sales	7,998	–	3,599	6,326	(17,923)	–
Segment Revenue	143,862	26,069	12,623	26,333	(17,923)	190,964
Assets:						
Non-current assets	119,442	10,685	19,517	16,152	(54,284)	111,512
1H 2022						
Revenue	102,183	40,720	34,925	17,576	–	195,404
Inter-segment sales	7,932	119	–	8,288	(16,339)	–
Segment Revenue	110,115	40,839	34,925	25,864	(16,339)	195,404
Assets:						
Non-current assets	127,214	12,879	6,671	18,060	(56,093)	108,731

6. Dissaggregation of revenue

	Project works	Plant maintenance and related services	Other operations	Total
	S\$'000	S\$'000	S\$'000	S\$'000
1H 2023				
Primary geographical markets				
Singapore	73,099	62,632	133	135,864
Middle East	7,425	1,599	–	9,024
China	–	26,069	–	26,069
Others	9,563	10,433	11	20,007
	90,087	100,733	144	190,964
Timing of transfer of goods and services				
At a point in time	7,373	99,134	144	106,651
Over time	82,714	1,599	–	84,313
	90,087	100,733	144	190,964
1H 2022				
Primary geographical markets				
Singapore	52,409	49,537	237	102,183
Middle East	26,253	8,672	–	34,925
China	–	40,720	–	40,720
Others	5,627	11,899	50	17,576
	84,289	110,828	287	195,404
Timing of transfer of goods and services				
At a point in time	12,531	102,156	287	114,974
Over time	71,758	8,672	–	80,430
	84,289	110,828	287	195,404



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7. Financial assets and financial liabilities

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2022 and 30 June 2022.

	Group		Company	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
	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	243,024	243,351	137,798	143,993
Financial Liabilities				
At amortised costs				
- Trade and other payables, lease liabilities, loans and borrowings	156,328	130,366	66,905	81,394

8. Profit before taxation

Significant items

	Group	
	1H 2023	1H 2022
	S\$'000	S\$'000
Depreciation of right-of-use assets	(1,240)	(964)
Amortisation of intangible assets	(4)	(4)
Depreciation of property, plant and equipment	(5,714)	(5,715)
Depreciation of investment properties	(70)	(77)
Write back/(impairment) on financial assets and contract assets	15	(525)
Interest expense	(187)	(127)
Interest expense on lease liabilities	(365)	(362)
Interest expense on reinstatement cost	(49)	(47)
Exchange (loss)/gain, net	(836)	690
(Loss)/gain on disposal of property, plant and equipment, net	(16)	14
Gain on disposal of investment property	132	—
Insurance claim	132	98
Interest income	870	224
Sundry income	487	420



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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	
	1H 2023	1H 2022
	S\$'000	S\$'000
<i>Related parties:</i>		
Revenue from sale of information systems	8	49
Revenue from system installation	6	2
<i>Associate:</i>		
Revenue from manpower supply and engineering works	—	5
Revenue from IT services	—	13
Subcontractors charges and manpower charges	—	(299)

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	
	1H 2023	1H 2022
	S\$'000	S\$'000
Current year tax expense	2,000	1,550
Withholding tax	81	147
	2,081	1,697

11. Dividends

	Group	
	1H 2023	1H 2022
	S\$'000	S\$'000
Ordinary dividends paid:		
Final exempt 2022 dividend of 2.5 (2021: 0.5) cents per share	6,362	6,366
Special exempt 2022 dividend of 1.0 (2021: NIL) cents per share	2,545	NIL

12. Net asset value

	Group		Company	
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	90.4	94.9	68.2	72.1
No. of shares in computing NAV ('000)	255,618	254,644	255,618	254,644



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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	
	1H 2023	1H 2022
	S\$'000	S\$'000
Financial assets:		
Equity instruments at FVOCI		
- Investment securities (quoted prices in active markets) (Level 1)	1	1

14. Property, plant and equipment

During the six months ended 31 December 2022, the Group acquired assets amounting to about \$2,335,000 (31 December 2021: \$4,878,000) and disposed of assets amounting to about \$134,000 (31 December 2021: \$2,000)

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 \$6,161,000 (2022: \$6,570,000) 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 31 Dec 2022		As at 30 Jun 2022	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,507	3,333	3,043	8,958

Amount repayable after one year

As at 31 Dec 2022		As at 30 Jun 2022	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
34,812	–	21,451	–

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.



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17. Share capital

	The Group and the Company			
	31 Dec 2022		30 Jun 2022	
	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 hold 96,715 treasury shares as at 31 December 2022.

The Company's subsidiaries do not hold any shares in the Company as at 31 December 2022 and 30 June 2022.

18. Acquisition or sale of shares in associate or subsidiary

Not applicable.

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.

Issued and fully paid ordinary shares:	Number of Shares	
	As at 31 Dec 2022	As at 31 Dec 2021
As at beginning of period	254,643,826	254,643,826
Purchase of treasury shares	(150,000)	—
Reissued of treasury shares	1,124,222	—
As at end of period	<u>255,618,048</u>	<u>254,643,826</u>

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 31 Dec 2022	As at 30 Jun 2022
Total number of issued shares excluding treasury shares	<u>255,618,048</u>	<u>254,643,826</u>

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.

Treasury shares:	Number of Shares	
	As at 31 Dec 2022	As at 31 Dec 2021
As at beginning of period	1,070,937	1,070,937
Purchase of treasury share	150,000	—
Reissued of treasury shares	(1,124,222)	—
	<u>96,715</u>	<u>1,070,937</u>

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 31 December 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 period 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.



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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.

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 period, the Group has adopted all the new and amended standards that are effective for annual financial periods beginning on or after 1 July 2022. 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	
	1H 2023	1H 2022
Weighted average number of ordinary shares for basic earnings per share computation ('000)	254,733	254,644
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	254,733	254,644
Earnings per share (cents per share)		
- Basic	1.1	2.0
- Diluted	1.1	2.0



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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 1H FY2023

Revenue

The Group's revenue decreased by S\$4.4 million from S\$195.4 million in 1HFY2022 to S\$191.0 million in 1HFY2023. This was mainly due to revenue decrease in maintenance services. The decrease was partially offset by an increase in revenue from project works.

Cost of sales

Due to the lower revenue, the Group's cost of sales decreased by S\$6.2 million from S\$152.8 million in 1HFY2022 to S\$146.6 million in 1HFY2023, despite an increase in production labour and materials costs.

Gross profit and gross profit margin

The Group's gross profit increased by S\$1.8 million from S\$42.6 million in 1HFY2022 to S\$44.4 million in 1HFY2023. The Group's profit margin increased from 22% in 1HFY2022 to 23% in 1HFY2023.

The increase in Group's gross profit and margin was mainly attributable to project completions. This was partially offset by a decrease in gross profit and margin from maintenance services.

Other operating income

Other operating income decreased by S\$0.2 million from S\$2.0 million in 1HFY2022 to S\$1.8 million in 1HFY2023. This was mainly due to a decrease in government grants and subsidies received. The decrease was partially offset by an increase in interest income, insurance claims, sundry income and gain on disposal of investment property.

Administrative expenses

Administrative expenses increased by S\$1.2 million from S\$14.8 million in 1HFY2022 to S\$16.0 million in 1HFY2023. This was mainly due to an increase in salary remuneration, utilities, and general administrative expenses. The increase was partially offset by a decrease in bank charges, legal and professional fees.

Impairment losses on financial assets and contract assets

Impairment loss on financial assets and contract assets was S\$0.5 million in 1HFY2022 as compared to a write back of \$0.01 million in 1HFY2023.

The impairment in 1HFY2022 was mainly arising from an estimated credit loss assessment on overdue receivables.



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Other operating expenses

Other operating expenses increased by S\$2.9 million from S\$21.1 million in 1HFY2022 to S\$24.0 million in 1HFY2023. This was mainly due to a forex loss of S\$ 0.8 million in 1HFY2023 as compared to a gain of S\$0.7 million in 1HFY2022 (primarily due to a depreciation of USD currency against SGD). There were also increase in other operating costs such as workers accommodation, employee welfare, insurance, safety related expenses and depreciation of right-of-use assets.

The increase was partially offset by a decrease in freight forwarding and medical expenses.

Finance expenses

Finance expenses increased by S\$0.1 million from S\$0.5 million in 1HFY2022 to S\$0.6 million in 1HFY2023. This was mainly due to an increase in interest on factoring which was partially offset by a decrease in interest on loans and short-term financings.

Share of results of associate

Share of results of associate decreased by S\$0.5 million from S\$0.5 million in 1HFY2022 to nil in 1HFY2023. This was mainly due to the acquisition of 51% equity interest in Plant Electrical Instrumentation Pte Ltd (PEI). (Refer to SGX announcement on 3 December 2021).

Taxation

The Group's effective tax rate increased from 20.8% in 1HFY2022 to 37.2% in 1HFY2023. The increase was mainly due to certain loss-making entities within the Group upon consolidation, which reduced the overall profitability of the Group, and therefore increased the effective tax rate.



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

Balance Sheet Review

The Group's non-current assets increased by S\$7.1 million from S\$107.6 million in FY2022 to S\$114.7 million in 1HFY2023. This was mainly due to an increase in right-of-use asset which was partially offset by a decrease in prepayments, property, plant and equipment.

The increase in right-of-use asset was due to a long-term lease of an overseas plot of land.

The Group's current assets decreased by S\$7.8 million from S\$292.9 million in FY2022 to S\$285.1 million in 1HFY2023. The decrease was mainly due to decrease in contract assets, inventories, capitalised contract costs, cash and short-term deposits. The decrease was partially offset by an increase in trade receivables, prepayments, other receivables and deposits.

The Group's current liabilities decreased by S\$3.8 million from S\$125.8 million in FY2022 to S\$122.0 million in 1HFY2023. This was mainly due to decrease in other payables and accruals, lease liabilities, income tax payable, loans and borrowings. The decrease was partially offset by an increase in contract liabilities, trade payables and provisions.

The Group's non-current liabilities increased by S\$13.4 million from S\$24.5 million in 1HFY2022 to S\$37.9 million in 1HFY2023. This was mainly due to an increase in lease liabilities which was partially offset by a decrease in loans and borrowings.

The increase in lease liabilities was mainly due to a long-term lease of an overseas plot of land.

Cash Flow Review

Net cash generated from operating activities for the Group in 1HFY2023 was S\$1.4 million.

The Group had used S\$1.7 million in investing activities in 1HFY2023. 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 assets.

The Group had used S\$15.1 million in financing activities in 1HFY2023 which was mainly due to net repayment of loans and borrowings, dividend payment to shareholders and payment of lease liabilities.

As a result of the above, there was a decrease in cash and cash equivalents of S\$15.5 million to S\$138.5 million in 1HFY2023.

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 geopolitical landscape has created uncertainties in the year ahead. However, the oil & gas sector will continue to play a major role in the global energy system and oil and gas companies will continue to maintain their focus on investing in security of supply in the short term while transitioning to cleaner energy in the long term.

We are cautiously optimistic about the prospects over the near to medium term. To capture a share of the potential pipeline of projects coming onstream, the Group is building a new fabrication facility in Abu Dhabi, UAE to support the Group's EPC works, maintenance services and modular solutions for offshore and onshore projects as well as green energy projects in the Middle East and around the region.

The orderbook stood at approximately S\$197.2 million as at 31 December 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:

No interim dividend has been declared/recommended.

- (b) Corresponding Period of the Immediate Preceding Financial Year

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.

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

During the half year ended 31 December 2022:

a) There was neither acquisition nor sale of:

- (i) shares resulting in a company becoming or ceasing to be a subsidiary or an associated company of the Company.
- (ii) shares resulting in the Company increasing or reducing its shareholding percentage in a subsidiary or an associated company.

b) There were the following announcements relating to incorporation / winding up of companies:

Date	Details	Announcement Reference No.
25 November 2022	Deregistration of wholly owned subsidiary	SG221125OTHRJB19

BY ORDER OF THE BOARD

Edna Ko Poh Thim
Executive Chairman
13th February 2023