



PEC LTD.

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Co. Reg. No: 198200079M

SECOND QUARTER AND FIRST HALF YEAR FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE PERIOD ENDED 31 DECEMBER 2019

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 31 December 2019.

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

Results for second quarter ("Q2") and first half year ("1H") ended 31 December 2019:

	Group			Group		
	Q2 2020	Q2 2019	Change	1H 2020	1H 2019	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	145,152	107,412	35%	292,296	200,831	46%
Cost of sales	(117,083)	(82,553)	42%	(240,547)	(155,161)	55%
Gross profit	28,069	24,859	13%	51,749	45,670	13%
Gross profit margin	19%	23%		18%	23%	
Other operating income	975	544	79%	1,939	1,318	47%
Administrative expenses	(7,944)	(8,271)	(4%)	(16,017)	(14,852)	8%
Other operating expenses	(16,034)	(12,466)	29%	(28,222)	(25,474)	11%
Finance expenses	(218)	(65)	235%	(447)	(125)	258%
Share of results of associate	119	37	222%	207	126	64%
Profit before taxation	4,967	4,638	7%	9,209	6,663	38%
Income tax expense	(1,632)	(1,319)	24%	(2,543)	(1,631)	56%
Profit after taxation	3,335	3,319	0%	6,666	5,032	32%
Attributable to:						
Equity holders of the Company	3,029	2,932	3%	6,165	4,377	41%
Non-controlling interests	306	387	(21%)	501	655	(24%)
	3,335	3,319	0%	6,666	5,032	32%
Other comprehensive income:						
<i>Item that will not be reclassified subsequently to profit or loss:</i>						
Net change in fair value reserve	–	(1)	NM	–	(1)	NM
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	(845)	(6)	NM	(43)	(1,464)	(97%)
Total other comprehensive income for the period, net of tax	(845)	(7)	NM	(43)	(1,465)	(97%)
Total comprehensive income for the period	2,490	3,312	(25%)	6,623	3,567	86%
Total comprehensive income attributable to:						
Owners of the Company	2,193	2,915	(25%)	6,194	3,197	94%
Non-controlling interests	297	397	(25%)	429	370	16%
	2,490	3,312	(25%)	6,623	3,567	86%

Denotes: NM – not meaningful



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

	Group		Group	
	Q2 2020	Q2 2019	1H 2020	1H 2019
	S\$'000	S\$'000	S\$'000	S\$'000
Amortisation of right of use asset	(533)	(6)	(870)	(12)
Amortisation of intangible assets	(4)	(33)	(9)	(65)
Depreciation of property, plant and equipment	(3,057)	(2,923)	(5,990)	(5,809)
Depreciation of investment property	(39)	(40)	(78)	(81)
Share-based compensation expenses	–	(33)	–	(65)
Impairment of trade receivables, net	(22)	3	(22)	(382)
Interest expense	(151)	(65)	(309)	(125)
Interest expense on lease liabilities	(67)	–	(138)	–
Exchange (loss)/gain, net	(1,315)	(140)	(1,156)	10
Gain on disposal of property, plant and equipment, net	419	128	661	158
Gain on disposal of investment property	–	–	–	89
Gain on disposal of intangible asset	–	18	–	122
Insurance claim	49	28	159	123
Interest income	261	172	498	374
Sundry income	178	108	431	189



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1(b)(i) A statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	84,868	84,637	35,427	36,511
Investment property	5,879	5,943	—	—
Investment securities	1	4	1	4
Investment in subsidiaries	—	—	54,305	54,093
Investment in an associate	5,021	4,945	354	354
Intangible assets	1,636	1,645	74	83
Prepayments	934	1,077	—	—
Deferred tax assets	2,225	2,291	282	282
Right-of-use asset	9,660	593	6,606	—
Trade receivables	918	1,014	—	—
	111,142	102,149	97,049	91,327
Current assets				
Contract assets	25,474	23,518	10,863	15,824
Accrued income	34,776	59,598	22,604	47,041
Inventories	407	321	—	—
Trade receivables	148,894	111,192	68,183	63,579
Other receivables and deposits	9,369	5,737	7,652	7,807
Prepayments	2,397	3,437	1,733	1,102
Capitalised contract costs	26,877	35,140	—	700
Right-of-use asset	2,557	—	—	—
Amounts due from subsidiaries	—	—	5,874	5,536
Cash and short-term deposits	96,517	94,245	55,527	36,565
	347,268	333,188	172,436	178,154
Total Assets	458,410	435,337	269,485	269,481
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	52,312	57,797	10,244	11,650
Trade payables	32,214	27,439	31,554	30,339
Other payables and accruals	92,001	82,866	32,058	35,561
Provisions	4,235	3,950	2,364	2,536
Loans and borrowings	13,283	12,181	10,000	10,000
Lease liabilities	1,226	—	737	—
Income tax payable	2,619	1,604	1,046	1,087
	197,890	185,837	88,003	91,173
Net current assets	149,378	147,351	84,433	86,981
Non-current liabilities				
Provisions	1,238	1,238	1,238	1,238
Loans and borrowings	6,405	6,770	—	—
Lease liabilities	10,233	—	6,568	—
Deferred tax liabilities	337	525	—	—
	18,213	8,533	7,806	1,238
Total Liabilities	216,103	194,370	95,809	92,411
Net assets	242,307	240,967	173,676	177,070
Equity attributable to owners of the Company				
Share capital	58,836	58,836	58,836	58,836
Treasury shares	(445)	(445)	(445)	(445)
Statutory reserve	2,481	2,481	—	—
Fair value reserve	(14)	(14)	(14)	(14)
Retained earnings	174,321	174,012	115,299	118,693
Premium paid on acquisition of non-controlling interests	(2,189)	(2,189)	—	—
Foreign currency translation reserve	(1,176)	(1,205)	—	—
	231,814	231,476	173,676	177,070
Non-controlling interests	10,493	9,491	—	—
Total Equity	242,307	240,967	173,676	177,070
Total equity and liabilities	458,410	435,337	269,485	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 31 Dec 2019		As at 30 June 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
3,283	11,226	2,181	10,000

Amount repayable after one year

As at 31 Dec 2019		As at 30 June 2019	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
6,405	10,233	6,770	—

Detail of any collateral

The Group's borrowings include loans and borrowings as well as lease liabilities. The Group adopted Singapore Financial Reporting Standards (International) ("SFRS(I)" 16) Leases on 1 July 2019 which resulted in the recognition of lease liabilities amounting to \$11.5 million as at 31 December 2019. 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	
	1H 2020	1H 2019
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	9,209	6,663
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	5,990	5,809
Depreciation of investment property	78	81
Gain on disposal of property, plant and equipment, net	(661)	(158)
Gain on disposal of investment property	—	(89)
Gain on disposal of intangible asset	—	(122)
Share-based compensation expenses	—	65
Impairment losses on financial assets	22	382
Loss on disposal of subsidiary	6	—
Provision, net	289	110
Foreign exchange differences	781	159
Amortisation of intangible assets	9	65
Amortisation of capitalised contracts cost	8,784	—
Amortisation of right of use asset	870	12
Share of results of associate	(207)	(126)
Interest income	(498)	(374)
Interest expense on lease liabilities	138	—
Interest expense	309	125
Operating cash flows before working capital changes	25,119	12,602
Increase in contract assets net contract liabilities	(7,370)	(394)
Decrease/(increase) in accrued income	24,652	(4,788)
Increase in capitalised contract costs	(521)	—
Increase in inventories	(87)	(265)
Increase in trade receivables, other receivables and deposits, and	(42,327)	(18,388)
Increase in trade and other payables and accruals	15,129	9,831
Cash flows generated from / (used in) operations	14,595	(1,402)
Tax paid	(1,845)	(1,154)
Interest paid	(447)	(125)
Interest received	498	374
Net cash flows generated from / (used in) operating activities	12,801	(2,307)
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	1,048	277
Proceeds from disposal of investment property	—	837
Proceed from disposal of available-for-sale quoted investments	2	—
Proceeds from disposal of intangible asset	—	139
Net cash outflow from disposal of a subsidiary	187	—
Dividend income from associate	130	245
Acquisition of intangible assets	—	(79)
Purchase of property, plant and equipment	(6,790)	(6,011)
Net cash flows used in investing activities	(5,423)	(4,592)
Cash flows from financing activities		
Repayment of borrowings	(364)	(795)
Purchase of treasury shares	—	(831)
Dividends paid on ordinary shares	(5,099)	(5,094)
Proceeds from borrowings	1,706	5,000
Payment of principal portion of lease liabilities	(619)	—
Net cash flows used in financing activities	(4,376)	(1,720)
Net increase / (decrease) in cash and cash equivalents	3,002	(8,619)
Effect of exchange rate changes on cash and cash equivalents	(127)	(617)
Cash and cash equivalents at beginning of the period	93,370	86,733
Cash and cash equivalents at end of the period	96,245	77,497



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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
Effect of adoption of SFRS(I)16	–	–	–	(757)	–	–	–	(757)	(45)	(802)
At 1 July 2019	58,836	(445)	2,481	173,255	(14)	(2,189)	(1,205)	230,719	9,446	240,165
Total comprehensive income	–	–	–	3,136	–	–	865	4,001	132	4,133
At 30 September 2019	58,836	(445)	2,481	176,391	(14)	(2,189)	(340)	234,720	9,578	244,298
Total comprehensive income	–	–	–	3,029	–	–	(836)	2,193	297	2,490
Dividend paid to non-controlling interest by subsidiaries	–	–	–	–	–	–	–	–	618	618
Dividends on ordinary shares	–	–	–	(5,099)	–	–	–	(5,099)	–	(5,099)
At 31 December 2019	58,836	(445)	2,481	174,321	(14)	(2,189)	(1,176)	231,814	10,493	242,307



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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	–	–	–	1,445	–	–	(1,163)	–	282	(27)	255
Grant of performance share to employees	–	(220)	–	–	–	–	–	32	(188)	–	(188)
At 30 September 2018	58,836	(340)	2,481	172,685	(11)	(2,189)	(743)	154	230,873	8,887	239,760
Total comprehensive income	–	–	–	2,932	(1)	–	(16)	–	2,915	397	3,312
Grant of performance share to employees	–	(611)	–	–	–	–	–	32	(579)	–	(579)
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	9,284	237,399



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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
Effect of adoption of SFRS(I)16	–	–	(702)	–	(702)
At 1 July 2019	58,836	(445)	117,991	(14)	176,368
Total comprehensive income	–	–	(27)	–	(27)
At 30 September 2019	58,836	(445)	117,964	(14)	176,341
Total comprehensive income	–	–	2,434	–	2,434
Dividends on ordinary shares	–	–	(5,099)	–	(5,099)
At 31 December 2019	58,836	(445)	115,299	(14)	173,676

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	–	–	1,673	–	–	1,673
Purchase of treasury shares	–	(220)	–	–	–	(220)
Grant of performance share to employees	–	–	–	–	32	32
At 30 September 2018	58,836	(340)	124,512	(11)	154	183,151
Total comprehensive income	–	–	4,377	(1)	–	4,376
Purchase of treasury shares	–	(611)	–	–	–	(611)
Grant of performance share to employees	–	–	–	–	32	32
Dividends on ordinary shares	–	–	(6,365)	–	–	(6,365)
At 31 December 2018	58,836	(951)	122,524	(12)	186	180,583



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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	
	As at 31 Dec 2019	As at 31 Dec 2018
Issued and fully paid ordinary shares:		
As at beginning of period	254,965,226	255,514,739
Purchase of treasury shares	—	(1,397,000)
As at end of period	<u>254,965,226</u>	<u>254,117,739</u>

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at end of the immediately preceding year.**

	As at 31 Dec 2019	As at 30 June 2019
Total number of issued shares excluding treasury shares	<u>254,965,226</u>	<u>254,965,226</u>

- 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	
	As at 31 Dec 2019	As at 31 Dec 2018
Treasury shares:		
As at beginning of period	749,537	200,024
Purchase of treasury shares	—	1,397,000
As at end of period	<u>749,537</u>	<u>1,597,024</u>

- 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.



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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 modified retrospective approach, with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings as at the date of initial application on 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 asset	8,986	6,345
Liabilities		
Lease Liabilities	(10,426)	(7,644)
Equity attributable to owners of the Company		
Retained earnings	(1,376)	(1,299)
Non-controlling interests	(64)	—



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6. **Earnings per ordinary share of the Group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group		Group	
	Q2 2020	Q2 2019	1H 2020	1H 2019
Weighted average number of ordinary shares for basic earnings per share computation ('000)	254,842	254,843	254,842	254,843
Effect of dilution				
-Performance share plan ('000)	–	1,141	–	1,141
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	254,842	255,984	254,842	255,984
Earnings per share (cents per share)				
- Basic	1.2	1.2	2.4	1.7
- Diluted	1.2	1.1	2.4	1.7

7. **Net asset value (for the issuer and Group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:**
(a) current financial period reported on; and
(b) immediately preceding financial year.

	Group		Company	
	31 Dec 2019	30 Jun 2019	31 Dec 2019	30 Jun 2019
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	90.9	90.8	68.1	69.4
No. of shares in computing NAV ('000)	254,965	254,965	254,965	254,965



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8. **A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. It must include a discussion of the following:**
- (a) **any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
 - (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on.**

Financial performance review for 1H FY2020

Revenue

The Group's revenue increased by S\$91.5 million from S\$200.8 million in 1H FY2019 to S\$292.3 million in 1H FY2020. This was mainly due to revenue contribution from project works in 1H FY2020.

Cost of sales

As revenue increase, the Group's cost of sales increased by S\$85.3 million from S\$155.2 million in 1H FY2019 to S\$240.5 million in 1H FY2020 mainly due to increase in subcontractors, material and other direct operating costs.

Gross profit and gross profit margin

The Group's gross profit increased by S\$6.0 million from S\$45.7 million in 1H FY2019 to S\$51.7 million in 1H FY2020. The increase in gross profit was mainly due to an increase in profit contribution from project works resulting from the revenue increase.

The decrease in Group's profit margin from 23% in 1H FY2019 to 18% in 1H FY2020 was mainly attributable to lower margin contribution from project works resulting from competitive environment.

Other operating income

Other operating income increased by S\$0.6 million from S\$1.3 million in 1H FY2019 to S\$1.9 million in 1H FY2020. This was mainly due to increase in interest income, sundry income and gain on disposal of assets.

Administrative expenses

Administrative expenses increased by S\$1.1 million from S\$14.9 million in 1H FY2019 to S\$16.0 million in 1H FY2020. This was mainly due to increase in salaries remuneration, utilities charges and general administrative expenses. The increase was partially offset by a decrease in bank charges.



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Other operating expenses

Other operating expenses increased by S\$2.7 million from S\$25.5 million in 1H FY2019 to S\$28.2 million in 1H FY2020. This was mainly due to loss on forex primarily due to depreciation of USD and higher direct operating cost such as freight forwarding expenses, insurance and tax clearance.

Finance expenses

Finance expenses increased by S\$ 0.3 million from S\$ 0.1 million in 1H FY2019 to S\$ 0.4 million in 1H FY2020. This was mainly due to increase in interest on loans and short-term financings.

Share of results of associate

The increase in share of results of associate was mainly due to higher volume of activities in 1H FY2020.

Taxation

The effective tax rate increased from 24.5% in 1H FY2019 to 27.6% in 1H FY2020. The higher effective tax rate was mainly due to certain loss-making entities within the Group upon consolidation, reduced the overall profitability of the Group, and therefore increased the effective tax rate in 1H FY2020.



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Balance Sheet Review

The Group's non-current assets increased by S\$9.0 million from S\$102.1 million in FY2019 to S\$111.1 million in 1H FY2020. This was mainly due to adoption of SFRS(I) 16 "Leases", effective on 1 July 2019, which requires a lessee to recognise a "right-of-use asset" representing its rights to use the underlying asset during the lease term. The increase was partially offset by a decrease in prepayments and trade receivables.

The Group's current assets increased by S\$14.1 million from S\$333.2 million in FY2019 to S\$347.3 million in 1H FY2020. This was mainly due to increase in contract assets, trade receivables, other receivables and deposits, Right-of-use asset, cash and short-term deposits. The increase was offset by a decrease in accrued income, prepayments and capitalised contract costs.

Of the S\$148.9 million trade receivables as at 31 December 2019, approximately S\$98.5 million relates to past due receivables. As at 13 February 2020, the Group has collected approximately S\$26.3 million of the S\$98.5 million and collections are continuing.

The Group's current liabilities increased by S\$12.1 million from S\$185.8 million in FY2019 to S\$197.9 million in 1H FY2020. This was mainly due to increase trade payables, other payables and accruals, provision, loan and borrowings, lease liabilities and income tax payable. The increase was offset a decrease in contract liabilities.

The Group's non-current liabilities increased by S\$9.7 million from S\$8.5 million in FY2019 to S\$18.2 million in 1H FY2020. This was mainly due to adoption of SFRS(I) 16 "Leases", effective on 1 July 2019, which requires a lessee to recognise a "lease liability" representing its obligation to make lease payments. The increase was partially offset by a decrease in loans and borrowings and deferred tax liabilities.

Cash Flow Review

Net cash generated from operating activities for the Group in 1H FY2020 was S\$12.8 million.

The Group had used S\$5.4 million in investing activities in 1H FY2020. 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 property, plant and equipment, proceeds from liquidation of a subsidiary and dividend income from associate.

The Group had used S\$4.4 million in financing activities in 1H FY2020 which was mainly due to the repayment of borrowings, 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\$3.0 million to S\$96.2 million in 1H FY2020.



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

Not Applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months.

Rapid decarbonisation is expected to present fresh opportunities as well as challenges for the oil and gas industry. We are confident that the Group's strategies and prudent capital management practices will enable PEC to take advantage of the new opportunities.

The near-term demand uncertainty resulting from the ongoing concerns of the current outbreak of COVID-19, as well as trade and geopolitical tensions, could worsen the global economic slowdown. Thus far the outbreak has not significantly affected the operations of the Group, and appropriate measures have been implemented to mitigate the risks.

The Group will stay focused to deliver on the projects and maintenance contracts we have in hand while exercising prudence in bidding for new contracts in FY2020.

The orderbook stood at S\$381.4 million as at 31 December 2019, excluding maintenance contracts.

11. Dividend

If a decision regarding dividend has been made: -

(a) Whether an interim (final) dividend has been declared (recommended); and

No interim dividend has been declared/recommended.

(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.

No interim dividend has been declared for the current quarter. The Company will review and consider a final dividend as may be recommended by the Board and approved by shareholders at the Annual General Meeting.

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.



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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).

BY ORDER OF THE BOARD

Edna Ko Poh Thim
Executive Chairman

13th February 2020