



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 2023

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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 2023:

	Group			Group		
	2H 2023	2H 2022	Change	FY 2023	FY 2022	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	239,975	232,578	3%	430,939	427,982	1%
Cost of sales	(198,095)	(150,590)	32%	(344,670)	(303,347)	14%
Gross profit	41,880	81,988	(49%)	86,269	124,635	(31%)
Gross profit margin	17%	35%		20%	29%	
Other operating income	2,199	4,940	(55%)	3,995	6,892	(42%)
Administrative expenses	(13,981)	(17,957)	(22%)	(29,989)	(32,740)	(8%)
Write back/(impairment losses) on financial assets and contract assets	4,851	(26,645)	NM	4,866	(27,170)	NM
Other operating expenses	(28,130)	(22,515)	25%	(52,130)	(43,654)	19%
Finance expenses	(975)	(553)	76%	(1,576)	(1,090)	45%
Share of results of associate	-	-	NM	-	544	(100%)
Profit before taxation	5,844	19,258	(70%)	11,435	27,417	(58%)
Income tax expense	(1,282)	(8,780)	(85%)	(3,363)	(10,477)	(68%)
Profit after taxation	4,562	10,478	(56%)	8,072	16,940	(52%)
Profit for the period attributable to:						
Owners of the Company	3,906	9,153	(57%)	6,768	14,143	(52%)
Non-controlling interests	656	1,325	(50%)	1,304	2,797	(53%)
	4,562	10,478	(56%)	8,072	16,940	(52%)
Other comprehensive income:						
<i>Items that may be reclassified subsequently to profit or loss:</i>						
Foreign currency translation	(772)	911	NM	(5,905)	932	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	-	-	NM
Total other comprehensive income for the period, net of tax	(772)	911	NM	(5,905)	932	NM
Total comprehensive income for the period	3,790	11,389	(67%)	2,167	17,872	(88%)
Total comprehensive income attributable to:						
Owners of the Company	3,244	10,264	(68%)	1,360	15,315	(91%)
Non-controlling interests	546	1,125	(51%)	807	2,557	(68%)
	3,790	11,389	(67%)	2,167	17,872	(88%)
Earnings per share:						
Basic and diluted (SGD in cent)	1.5	3.6		2.7	5.6	

Denotes: NM – not meaningful



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B. Condensed interim statements of financial position

	Group		Company	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	74,124	78,257	33,146	35,645
Investment property	2,900	5,236	–	–
Investment securities	1	1	1	1
Investment in subsidiaries	–	–	53,285	53,441
Intangible assets	41	49	41	49
Prepayments	797	797	–	–
Deferred tax assets	3,019	3,224	2,053	2,825
Right-of-use assets	39,239	20,022	14,313	14,107
	<u>120,121</u>	<u>107,586</u>	<u>102,839</u>	<u>106,068</u>
Current assets				
Asset held for sale	1,411	–	–	–
Contract assets	48,104	47,081	26,006	16,349
Inventories	601	1,065	–	–
Trade receivables	98,637	76,303	67,182	45,026
Other receivables and deposits	8,232	9,403	2,879	2,586
Prepayments	1,731	1,326	736	495
Capitalised contract costs	5,880	44	–	–
Amounts due from subsidiaries	–	–	19,916	21,002
Cash and short-term deposits	126,142	157,645	42,696	74,739
	<u>290,738</u>	<u>292,867</u>	<u>159,415</u>	<u>160,197</u>
Total Assets	<u>410,859</u>	<u>400,453</u>	<u>262,254</u>	<u>266,265</u>
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	5,941	7,717	1,987	763
Trade payables	36,934	20,041	16,571	12,252
Other payables and accruals	64,228	69,049	33,834	38,971
Provisions	10,284	7,940	2,245	2,831
Loans and borrowings	3,988	9,539	2,708	8,958
Lease liabilities	3,034	2,462	1,129	932
Income tax payable	1,336	9,064	775	1,345
	<u>125,745</u>	<u>125,812</u>	<u>59,249</u>	<u>66,052</u>
Net current assets	164,993	167,055	100,166	94,145
Non-current liabilities				
Provisions	3,058	2,960	2,903	2,809
Loans and borrowings	2,307	3,985	–	–
Lease liabilities	37,148	17,466	13,950	13,768
Deferred tax liabilities	143	118	–	–
	<u>42,656</u>	<u>24,529</u>	<u>16,853</u>	<u>16,577</u>
Total Liabilities	<u>168,401</u>	<u>150,341</u>	<u>76,102</u>	<u>82,629</u>
Net assets	<u>242,458</u>	<u>250,112</u>	<u>186,152</u>	<u>183,636</u>
Equity attributable to owners of the Company				
Share capital	58,836	58,836	58,836	58,836
Treasury shares	(1,076)	(576)	(1,076)	(576)
Statutory reserve	2,480	2,481	–	–
Fair value reserve	(12)	(12)	(12)	(12)
Retained earnings	182,858	184,989	127,804	124,779
Premium paid on acquisition of non-controlling interests	(4,841)	(4,841)	–	–
Foreign currency translation reserve	(5,327)	81	–	–
Share-based compensation reserve	600	609	600	609
	<u>233,518</u>	<u>241,567</u>	<u>186,152</u>	<u>183,636</u>
Non-controlling interests	8,940	8,545	–	–
Total Equity	<u>242,458</u>	<u>250,112</u>	<u>186,152</u>	<u>183,636</u>
Total equity and liabilities	<u>410,859</u>	<u>400,453</u>	<u>262,254</u>	<u>266,265</u>



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C. Condensed interim statements of changes in equity

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	Share-based compensation reserve	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	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	-	-	-	6,768	-	-	-	(5,408)	1,360	807	2,167
Dividends on ordinary shares	-	-	-	(8,907)	-	-	-	-	(8,907)	-	(8,907)
Treasury shares reissued pursuant to performance share plan	-	669	-	8	-	-	(677)	-	-	-	-
Dividend paid to non-controlling interest by subsidiaries	-	-	-	-	-	-	-	-	-	(412)	(412)
Purchase of treasury shares	-	(1,169)	-	-	-	-	-	-	(1,169)	-	(1,169)
Liquidation of subsidiary	-	-	(1)	-	-	-	-	-	(1)	-	(1)
Grant of performance shares to employees	-	-	-	-	-	-	668	-	668	-	668
At 30 June 2023	58,836	(1,076)	2,480	182,858	(12)	(4,841)	600	(5,327)	233,518	8,940	242,458

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	Share-based compensation reserve	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	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	-	-	-	14,143	-	-	-	1,172	15,315	2,557	17,872
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	184,989	(12)	(4,841)	609	81	241,567	8,545	250,112



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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	–	–	11,924	–	–	11,924
Treasury shares reissued pursuant to performance share plan	–	669	8	(677)	–	–
Purchase of treasury shares	–	(1,169)	–	–	–	(1,169)
Dividends on ordinary shares	–	–	(8,907)	–	–	(8,907)
Grant of performance shares to employees	–	–	–	668	–	668
At 30 June 2023	58,836	(1,076)	127,804	600	(12)	186,152

<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 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	609	(12)	183,636



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D. Condensed interim consolidated statement of cash flows

	Group	
	FY 2023	FY 2022
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	11,435	27,417
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	11,523	11,739
Depreciation of investment properties	117	158
Gain on disposal of property, plant and equipment, net	(254)	(33)
Gain on disposal of investment property	(277)	(126)
Gain on disposal of subsidiary	(18)	–
(Write back)/impairment losses on financial assets and contract assets	(4,866)	27,170
Provision, net	2,424	228
Unrealised exchange differences	433	(2,443)
Amortisation of intangible assets	8	8
Amortisation of capitalised contract costs	982	12,231
Depreciation of right-of-use assets	2,824	2,038
Share-based payment expense	668	609
Share of results of associate	–	(544)
Interest income	(1,834)	(472)
Interest expense	1,576	1,090
Operating cash flows before working capital changes	24,741	79,070
Increase in contract assets	(1,257)	(7,392)
Decrease in contract liabilities	(1,776)	(34,845)
Increase in capitalised contract costs	(6,820)	(396)
Decrease in inventories	455	448
Increase in trade receivables, other receivables and deposits, and prepayments	(18,978)	(13,680)
Increase in trade and other payables and accruals	13,425	2,453
Cash flows generated from operations	9,790	25,658
Tax paid	(10,447)	(4,408)
Interest paid	(1,013)	(1,007)
Interest received	1,834	472
Net cash flows generated from operating activities	164	20,715
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	483	48
Proceeds from disposal of investment property	943	461
Dividend income from associate	–	3,043
Net cash inflow on acquisition of a subsidiary	–	1,309
Purchase of investment property	–	(153)
Purchase of property, plant and equipment	(9,688)	(5,821)
Net cash flows used in investing activities	(8,262)	(1,113)
Cash flows from financing activities		
Proceeds from loans and borrowings	2,474	1,001
Dividends paid on ordinary shares	(8,907)	(6,366)
Dividends paid to non-controlling interests	(411)	(232)
Investments by subsidiaries' non-controlling interests	–	1,561
Repayment of loans and borrowings	(9,680)	(3,089)
Leases paid at lease commencement	–	(37)
Purchase of treasury shares	(1,169)	–
Payment of principal portion of lease liabilities	(2,305)	(1,733)
Net cash flows used in financing activities	(19,998)	(8,895)
Net (decrease)/increase in cash and cash equivalents	(28,096)	10,707
Effect of exchange rate changes on cash and cash equivalents	(3,407)	1,618
Cash and cash equivalents at beginning of the year	157,645	145,320
Cash and cash equivalents at end of the year	126,142	157,645



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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 2023 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 2023 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 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 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.

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 2023 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 2023					
Revenue	129,570	110,232	173	–	239,975
Inter-segment sales	22,527	10,075	1,502	(34,104)	–
Total revenue	152,097	120,307	1,675	(34,104)	239,975
Gross profit:					
Segment results	19,085	22,779	16	–	41,880
Unallocated expenses and income, net					(33,432)
Interest income					964
Depreciation and amortisation	(3,746)	(935)	(45)	–	(4,726)
Unallocated depreciation and amortisation					(2,718)
Write back on financial assets and contract assets, net	4,851	–	–	–	4,851
Finance expenses					(975)
Profit before taxation					5,844
Income tax expense					(1,282)
Profit for the period					4,562
Assets:					
Additions to property, plant and equipment	4,818	511	2,024	–	7,353
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	2,497	2,072	309	–	4,878



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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 2023					
Revenue	219,657	210,965	317	–	430,939
Inter-segment sales	33,193	16,135	2,699	(52,027)	–
Total revenue	252,850	227,100	3,016	(52,027)	430,939
Gross profit:					
Segment results	38,221	48,010	38	–	86,269
Unallocated expenses and income, net					(65,486)
Interest income					1,834
Depreciation and amortisation	(7,377)	(1,912)	(107)	–	(9,396)
Unallocated depreciation and amortisation					(5,076)
Impairment losses on financial assets and contract assets, net	4,851	15	–	–	4,866
Finance expenses					(1,576)
Profit before taxation					11,435
Income tax expense					(3,363)
Profit for the year					8,072
Assets:					
Additions to property, plant and equipment	5,571	1,798	2,319	–	9,688
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)
Write back of impairment losses on financial assets and contract assets	(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



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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 2023						
Revenue	176,654	20,673	11,180	31,468	–	239,975
Inter-segment sales	13,589	–	12,879	7,636	(34,104)	–
Segment Revenue	190,243	20,673	24,059	39,104	(34,104)	239,975
Assets:						
Non-current assets	118,321	9,728	28,910	14,502	(54,359)	117,102
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	122,987	12,191	6,360	17,626	(54,802)	104,362
FY 2023						
Revenue	312,517	46,741	20,204	51,477	–	430,939
Inter-segment sales	21,587	–	16,478	13,962	(52,027)	–
Segment Revenue	334,104	46,741	36,682	65,439	(52,027)	430,939
Asset:						
Non-current assets	118,321	9,728	28,910	14,502	(54,359)	117,102
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	122,987	12,191	6,360	17,626	(54,802)	104,362



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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 2023				
Primary geographical markets				
Singapore	103,566	72,932	156	176,654
Middle East	9,301	1,879	–	11,180
China	–	20,673	–	20,673
Others	16,703	14,748	17	31,468
	129,570	110,232	173	239,975
Timing of transfer of goods and services				
At a point in time	1,237	108,353	173	109,763
Over time	128,333	1,879	–	130,212
	129,570	110,232	173	239,975
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
FY 2023				
Primary geographical markets				
Singapore	176,664	135,565	288	312,517
Middle East	16,726	3,478	–	20,204
China	–	46,741	–	46,741
Others	26,267	25,181	29	51,477
	219,657	210,965	317	430,939
Timing of transfer of goods and services				
At a point in time	8,610	207,487	317	216,414
Over time	211,047	3,478	–	214,525
	219,657	210,965	317	430,939
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



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6. Dissaggregation of revenue (cont'd)

A breakdown of sales as follows:

	Group		
	FY2023	FY2022	
	S\$'000	S\$'000	Change %
(a) Sales reported for first half year	190,964	195,404	(2%)
(b) Operating profit after tax before deducting non-controlling interests reported for first half year	3,510	6,462	(46%)
(c) Sales reported for second half year	239,975	232,578	3%
(d) Operating profit after tax before deducting non-controlling interests reported for second half year	4,562	10,479	(56%)

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 2023 and 30 June 2022.

	Group		Company	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	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	233,011	243,351	133,456	143,993
Financial Liabilities				
At amortised costs				
- Trade and other payables, lease liabilities, loans and borrowings	178,618	130,366	65,519	81,394



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8. Profit before taxation

Significant items

	Group		Group	
	2H 2023	2H 2022	FY 2023	FY 2022
	S\$'000	S\$'000	S\$'000	S\$'000
Depreciation of right-of-use assets	(1,584)	(1,074)	(2,824)	(2,038)
Amortisation of intangible assets	(4)	(4)	(8)	(8)
Depreciation of property, plant and equipment	(5,809)	(6,024)	(11,523)	(11,739)
Depreciation of investment property	(47)	(81)	(117)	(158)
Write back/(impairment losses) on financial assets and contract assets	4,851	(26,645)	4,866	(27,170)
Interest expense	(68)	(148)	(255)	(275)
Interest expense on lease liabilities	(858)	(358)	(1,223)	(720)
Interest expense on reinstatement cost	(49)	(48)	(98)	(95)
Exchange gain/(loss), net	492	2,740	(344)	3,430
Gain on disposal of property, plant and equipment, net	270	19	254	33
Gain on disposal of investment property	145	126	277	126
Insurance claim	391	101	523	199
Interest income	964	248	1,834	472
Sundry income	95	478	582	898

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 2023	2H 2022	FY 2023	FY 2022
	S\$'000	S\$'000	S\$'000	S\$'000
<i>Related parties:</i>				
Revenue from sale of information systems	15	10	23	58
Revenue from system installation	18	41	24	43
<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		Group	
	2H 2023	2H 2022	FY 2023	FY 2022
	S\$'000	S\$'000	S\$'000	S\$'000
Current year tax expense	488	10,381	2,488	11,931
Origination and reversal of deferred tax	242	(2,301)	242	(2,301)
Withholding tax	552	700	633	847
	1,282	8,780	3,363	10,477



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11. Dividends

	Group	
	FY 2023	FY 2022
	S\$'000	S\$'000
Ordinary dividends paid:		
FY2022 Tax exempt one-tier final dividend of 2.5 (FY2021:2.5) cents and Special dividend of 1.0 (FY2021: Nil) cents per share	8,907	6,366

12. Net asset value

	Group		Company	
	30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	92.0	94.9	73.3	72.1
No. of shares in computing NAV ('000)	253,918	254,644	253,918	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 2023	FY 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 30 June 2023, the Group acquired assets amounting to \$7,352,883 (30 June 2022: \$943,049) and net book value for disposed of assets amounting to \$94,751 (30 June 2022: \$12,850).

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 \$4,310,000 (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.



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

Amount repayable in one year or less, or on demand

As at 30 June 2023		As at 30 June 2022	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
4,314	2,708	3,043	8,958

Amount repayable after one year

As at 30 June 2023		As at 30 June 2022	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
39,455	–	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.

17. Share capital

	The Group and the Company			
	30 June 2023		30 June 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 holds 1,796,637 treasury shares as at 30 June 2023. (2022: 1,070,937)

The Company's subsidiaries do not hold any shares in the Company as at 30 June 2023 and 30 June 2022.

18. Acquisition of equity interest in associate

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 30 June 2023	As at 30 June 2022
As at beginning of year	254,643,826	254,643,826
Purchase of treasury shares	(1,946,200)	–
Reissued of treasury shares	1,220,500	–
As at end of year	<u>253,918,126</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 30 June 2023	As at 30 June 2022
Total number of issued shares excluding treasury shares	<u>253,918,126</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 30 June 2023	As at 30 June 2022
As at beginning of year	1,070,937	1,070,937
Purchase of treasury share	1,946,200	–
Reissued of treasury shares	(1,220,500)	–
As at end of year	<u>1,796,637</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 30 June 2023 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.



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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 year, 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		Group	
	2H 2023	2H 2022	FY 2023	FY 2022
Weighted average number of ordinary shares for basic earnings per share computation ('000)	254,815	254,644	254,815	254,644
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	254,815	254,644	254,815	254,644
Earnings per share (cents per share)				
- Basic	1.6	3.6	2.7	5.6
- Diluted	1.6	3.6	2.7	5.6



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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 FY2023

Revenue

The Group's revenue increased by S\$3.0 million from S\$428.0 million in FY2022 to S\$431.0 million in FY2023. This was mainly due to revenue contribution from project works. The increase was offset by a decrease in revenue from maintenance services.

Cost of sales

The Group's cost of sales increased by S\$41.4 million from S\$303.3 million in FY2022 to S\$344.7 million in FY2023. The increase was mainly due to an increase in materials and consumable for on-going project works, salaries cost and foreign worker levy resulting from increase in direct workforce.

Gross profit and gross profit margin

The Group's gross profit decreased by S\$38.3 million from S\$124.6 million in FY2022 to S\$86.3 million in FY2023. The Group's profit margin decreased from 29% in FY2022 to 20% in FY2023.

The decrease in Group's gross profit and margin were mainly attributable to an increase in cost of sales. A portion of the cost of sales is related to variation works for certain project works where the variation claims remain outstanding.

The Group's profit and margin in FY2022 were boosted by project settlements in 2H FY2022.

Other operating income

Other operating income decreased by S\$2.9 million from S\$6.9 million in FY2022 to S\$4.0 million in FY2023. This was mainly due to decrease in gain on forex (primarily due to depreciation in USD), sundry income and government grants and subsidies received. The decrease was partially offset by an increase in interest income, insurance claims and gain on disposal of assets.

Administrative expenses

Administrative expenses decreased by S\$2.7 million from S\$32.7 million in FY2022 to S\$30.0 million in FY2023. This was mainly due to decrease in salaries remuneration, provision for bonus incentive, and bank charges. The decrease was partially offset by an increase in utilities expenses and general administrative expenses.

Impairment losses on financial assets and contract assets

There was a write back on financial assets and contract assets of S\$4.9 million in FY2023 as compared to an impairment loss of S\$27.2 million in FY2022.

The write back was due mainly to partial repayment from a long overdue debt, which approximately S\$22.0 million had been fully impaired in FY2022 and reduction in expected credit loss amount following the assessment on overdue receivables in FY2023.



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

Other operating expenses

Other operating expenses increased by S\$8.4 million from S\$43.7 million in FY2021 to S\$52.1 million in FY2022. This was mainly due to increase in other direct operating cost such as amortisation of right-of-use assets, upkeep and maintenance of office and fabrication facilities, forex loss, workers accommodation, employee welfare, insurance, training, travelling, transport and personal protective equipment expenses. This was partially offset by a decrease in depreciation of investment property.

Finance expenses

Finance expenses increased by S\$0.5 million from S\$1.1 million in FY2022 to S\$1.6 million in FY2023. This was mainly due to increase in interest expense on lease liabilities.

Share of results of associate

Share of results of associate decrease by S\$0.5 million from S\$0.5 million in FY2022 to nil in FY2023. 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 decreased from 38.2% in FY2022 to 29.4% in FY2023. The decrease was mainly attributable to utilization of Group relief.



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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\$12.5 million from S\$107.6 million in FY2022 to S\$120.1 million in FY2023. This was mainly due to an increase in Right-of-use assets. The increase was partially offset by a decrease in property, plant and equipment, investment property, intangible assets and deferred tax assets.

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\$2.2 million from S\$292.9 million in FY2022 to S\$290.7 million in FY2023. This was mainly due to a decrease in inventories, other receivables and deposits, cash and short-term deposits. The decrease was partially offset by an increase in asset held for sale, trade receivables, prepayments and capitalised contract costs.

Of the Group's trade receivables balance of S\$98.6 million as at 30 June 2023, approximately S\$87.4 million was current and not due yet. The Group had subsequently received S\$55.2 million out of total outstanding balance of S\$98.6 million as at to date.

The Group's current liabilities decreased by S\$0.1 million from S\$125.8 million in FY2022 to S\$125.7 million in FY2023. This was mainly due to a decrease in contract liabilities, other payables and accruals, income tax payable, loans and borrowings. The decrease was partially offset by an increase in trade payables, provisions and lease liabilities.

The Group's non-current liabilities increased by S\$18.2 million from S\$24.5 million in FY2022 to S\$42.7 million in FY2023. This was mainly due to an increase in lease liabilities and deferred tax liabilities. The increase 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 FY2023 was S\$0.2 million.

The Group had used S\$8.3 million in investing activities in FY2023. 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 and investment property.

The Group had used S\$20.0 million in financing activities in FY2023 which was mainly due to the net repayment of borrowings, dividend payment to shareholders, purchase of treasury shares and payment of lease liabilities.

As a result of the above, there was a decrease in cash and cash equivalents of S\$28.1 million to S\$126.1 million in FY2023.



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

Not Applicable.

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.

Operating challenges continue to persist amid the ongoing macroeconomic headwinds, rising costs and tight labour market. Despite all these challenges, the Group will press ahead to enhance its capabilities and expand its capacity with the construction of a new fabrication yard in Abu Dhabi to support clients not only in the process sector but also the modular compression systems and renewable energy sector in the Middle East and around the region.

As at 30 June 2023, the Group's order book stood at approximately S\$191.3 million, 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:

	FY2023
Name of dividend	Final
Dividend type	Cash
Ordinary Dividend	2.0 cents per share
Special Dividend	NIL
Tax rate	One-Tier

(b) Corresponding Period of the Immediate Preceding Financial Year

	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

(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.

34. Interested person transaction

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



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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 30 June 2023:

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.

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	58	Sister of Edna Ko Poh Thim, Chairman and Substantial Shareholder of the Company	<ul style="list-style-type: none">(i) Employed on consultancy basis for the Company in relation to its China business since 2002.(ii) Director of PEC Construction Equipment Leasing Company (Huizhou) Ltd since 2005.(iii) Director of Huizhou Tianxin Petrochemical Engineering Co., Ltd since 2005.	None

BY ORDER OF THE BOARD

Edna Ko Poh Thim
Executive Chairman
29th August 2023