



PEC LTD.

21 Shipyard Road, Singapore 628144
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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 2018

The Directors are pleased to announce the operating results of the Group and the Company for the period ended 31 December 2018.

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 2018:

	Group Q2 2018			Group 1H 2018		
	Q2 2019	(Restated)	Change	1H 2019	(Restated)	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Revenue	107,412	70,379	53%	200,831	151,288	33%
Cost of sales	(82,553)	(50,699)	63%	(155,161)	(112,429)	38%
Gross profit	24,859	19,680	26%	45,670	38,859	18%
Gross profit margin	23%	28%		23%	26%	
Other operating income	544	638	(15%)	1,318	1,357	(3%)
Administrative expenses	(7,336)	(6,715)	9%	(13,887)	(13,249)	5%
Other operating expenses	(12,466)	(11,458)	9%	(25,474)	(23,097)	10%
Finance expenses	(1,000)	(76)	1216%	(1,090)	(167)	553%
Share of results of associate	37	101	(63%)	126	227	(44%)
Profit before taxation	4,638	2,170	114%	6,663	3,930	70%
Income tax expense	(1,319)	(568)	132%	(1,631)	(894)	82%
Profit after taxation	3,319	1,602	107%	5,032	3,036	66%
Attributable to:						
Equity holders of the Company	2,932	1,539	91%	4,377	2,521	74%
Non-controlling interests	387	63	514%	655	515	27%
	3,319	1,602	107%	5,032	3,036	66%
Other comprehensive income:						
<i>Item that may be reclassified subsequently to profit or loss:</i>						
Net change in fair value reserve	(1)	1	NM	(1)	1	NM
Foreign currency translation	(6)	(166)	(96%)	(1,464)	(696)	110%
Total other comprehensive income for the year, net of tax	(7)	(165)	(96%)	(1,465)	(695)	111%
Total comprehensive income for the period	3,312	1,437	130%	3,567	2,341	52%
Total comprehensive income attributable to:						
Owners of the Company	2,915	1,367	113%	3,197	1,838	74%
Non-controlling interests	397	70	NM	370	503	NM
	3,312	1,437	130%	3,567	2,341	52%

Denotes: NM – not meaningful



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

	Group		Group	
	Q2 2019	Q2 2018 (Restated)	1H 2019	1H 2018 (Restated)
	S\$'000	S\$'000	S\$'000	S\$'000
Amortisation of land use rights	(6)	(6)	(12)	(12)
Amortisation of intangible assets	(33)	(34)	(65)	(67)
Depreciation of property, plant and equipment	(2,923)	(3,178)	(5,809)	(6,290)
Depreciation of investment property	(40)	(44)	(81)	(88)
Share-based compensation expenses	(32)	(83)	(64)	(165)
Impairment of trade receivables, net	3	65	(382)	30
Interest expense	(65)	(61)	(125)	(115)
Exchange (loss)/gain, net	(140)	(620)	10	(1,135)
Gain/(loss) on disposal of property, plant and equipment, net	128	(40)	158	(64)
Gain on disposal of investment property	-	-	89	73
Gain on disposal of intangible asset	18	-	122	-
Interest income	172	253	374	490
Sundry income	107	238	189	485



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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 2018	30 Jun 2018 (restated)	31 Dec 2018	30 Jun 2018
	S\$'000	S\$'000	S\$'000	S\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	77,258	77,691	37,380	38,839
Investment property	6,037	6,911	-	-
Investment securities	6	6	6	6
Investment in subsidiaries	-	-	42,739	41,495
Investment in an associate	4,912	5,032	354	354
Intangible assets	1,654	1,657	92	38
Land use rights	609	645	-	-
Prepayments	784	-	-	-
Deferred tax assets	2,255	1,881	-	-
Trade receivables	1,584	1,652	-	-
	<u>95,099</u>	<u>95,475</u>	<u>80,571</u>	<u>80,732</u>
Current assets				
Contract assets	15,748	13,366	11,615	9,007
Accrued income	51,289	46,762	42,206	37,320
Inventories	634	373	-	-
Trade receivables	107,893	92,345	57,843	43,769
Other receivables and deposits	8,220	6,626	8,319	7,231
Prepayments	3,798	4,113	2,232	2,829
Amounts due from subsidiaries	-	-	10,724	10,532
Cash and short-term deposits	77,497	86,795	44,215	46,615
	<u>265,079</u>	<u>250,380</u>	<u>177,154</u>	<u>157,303</u>
Total Assets	<u>360,178</u>	<u>345,855</u>	<u>257,725</u>	<u>238,035</u>
EQUITY AND LIABILITIES				
Current liabilities				
Contract liabilities	3,309	1,305	3,210	728
Trade payables	27,041	17,668	31,826	18,772
Other payables and accruals	70,218	70,439	32,789	33,804
Provisions	6,138	6,029	2,027	1,760
Loans and borrowings	5,692	766	5,013	28
Income tax payable	1,721	475	1,000	-
	<u>114,119</u>	<u>96,682</u>	<u>75,865</u>	<u>55,092</u>
Net current assets	<u>150,960</u>	<u>153,698</u>	<u>101,289</u>	<u>102,211</u>
Non-current liabilities				
Provisions	1,238	1,238	1,238	1,238
Loans and borrowings	7,107	7,721	-	-
Deferred tax liabilities	315	521	39	39
	<u>8,660</u>	<u>9,480</u>	<u>1,277</u>	<u>1,277</u>
Total Liabilities	<u>122,779</u>	<u>106,162</u>	<u>77,142</u>	<u>56,369</u>
Net assets	<u>237,399</u>	<u>239,693</u>	<u>180,583</u>	<u>181,666</u>
Equity attributable to owners of the Company				
Share capital	58,836	58,836	58,836	58,836
Treasury shares	(951)	(120)	(951)	(120)
Statutory reserve	2,481	2,481	-	-
Fair value reserve	(12)	(11)	(12)	(11)
Retained earnings	170,523	171,240	122,524	122,839
Premium paid on acquisition of non-controlling interests	(2,189)	(2,189)	-	-
Foreign currency translation reserve	(759)	420	-	-
Share based payment reserve	186	122	186	122
	<u>228,115</u>	<u>230,779</u>	<u>180,583</u>	<u>181,666</u>
Non-controlling interests	9,284	8,914	-	-
Total Equity	<u>237,399</u>	<u>239,693</u>	<u>180,583</u>	<u>181,666</u>
Total equity and liabilities	<u>360,178</u>	<u>345,855</u>	<u>257,725</u>	<u>238,035</u>



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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 2018		As at 30 June 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
5,692	–	766	–

Amount repayable after one year

As at 31 Dec 2018		As at 30 June 2018	
Secured	Unsecured	Secured	Unsecured
S\$'000	S\$'000	S\$'000	S\$'000
7,107	–	7,721	–

Detail of any collateral

The Group's borrowings were secured over corporate guarantee and property, plant and equipment.



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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 2019	1H 2018 (Restated)
	S\$'000	S\$'000
Cash flows from operating activities		
Profit before taxation	6,663	3,930
<i>Adjustments for:</i>		
Depreciation of property, plant and equipment	5,809	6,290
Depreciation of investment property	81	88
(Gain)/loss on disposal of property, plant and equipment, net	(158)	64
Gain on disposal of investment property	(89)	(73)
Gain on disposal of intangible asset	(122)	–
Net loss on liquidation of subsidiary	–	(60)
Share-based compensation expenses	64	165
Impairment of trade receivables, net	382	(30)
Provision, net	110	(64)
Foreign exchange differences	160	551
Amortisation of land use rights	12	12
Amortisation of intangible assets	65	67
Share of results of associate	(126)	(227)
Interest income	(374)	(490)
Interest expense	125	115
Operating cash flows before working capital changes	12,602	10,338
Increase in contract assets net contract liabilities	(394)	(7,878)
(Increase)/decrease in accrued income	(4,788)	12,829
Increase in inventories	(265)	(250)
(Increase)/decrease in trade and other receivables and prepayments	(18,388)	3,381
Increase/(decrease) in trade and other payables and accruals	9,831	(3,769)
Cash flows (used in)/generated from operations	(1,402)	14,651
Tax paid	(1,154)	(847)
Interest paid	(125)	(115)
Interest received	374	490
Net cash flows (used in)/generated from operating activities	(2,307)	14,179
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	277	142
Proceeds from disposal of investment property	837	455
Proceeds from disposal of intangible asset	139	–
Dividend income from associate	245	245
Acquisition of intangible assets	(79)	–
Purchase of property, plant and equipment	(6,011)	(2,995)
Net cash flows used in investing activities	(4,592)	(2,153)
Cash flows from financing activities		
Repayment of borrowings	(795)	(986)
Purchase of treasury shares	(831)	–
Proceeds from borrowings	5,000	286
Dividends paid on ordinary shares	(5,094)	(6,365)
Net cash flows used in financing activities	(1,720)	(7,065)
Net (decrease)/increase in cash and cash equivalents	(8,619)	4,961
Effect of exchange rate changes on cash and cash equivalents	(617)	(343)
Cash and cash equivalents at beginning of the period	86,733	107,022
Cash and cash equivalents at end of the period	77,497	111,640



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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	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	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 (restated)	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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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 2017	58,481	(214)	2,553	170,021	(12)	(2,189)	(2,457)	421	226,604	7,255	233,859
Effect of adoption of SFRS(I)1	-	-	-	(2,457)	-	-	2,457	-	-	-	-
Effect of adoption of SFRS(I)15	-	-	-	930	-	-	-	-	930	-	930
At 1 July 2017 (restated)	58,481	(214)	2,553	168,494	(12)	(2,189)	-	421	227,534	7,255	234,789
Total comprehensive income	-	-	-	982	-	-	(511)	-	471	434	905
Grant of performance share to employees	-	-	-	-	-	-	-	82	82	-	82
At 30 September 2017	58,481	(214)	2,553	169,476	(12)	(2,189)	(511)	503	228,087	7,689	235,776
Total comprehensive income	-	-	-	1,539	1	-	(173)	-	1,367	70	1,437
Disposal of subsidiary	-	-	(72)	-	-	-	-	-	(72)	-	(72)
Grant of performance share to employees	-	-	-	-	-	-	-	83	83	-	83
Dividends on ordinary shares	-	-	-	(6,365)	-	-	-	-	(6,365)	-	(6,365)
At 31 December 2017	58,481	(214)	2,481	164,650	(11)	(2,189)	(684)	586	223,100	7,759	230,859



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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

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 2017	58,481	(214)	123,703	(12)	421	182,379
Effect of adoption of SFRS(I)15	–	–	949	–	–	949
At 1 July 2017 (restated)	58,481	(214)	124,652	(12)	421	183,328
Total comprehensive income	–	–	(97)	–	–	(97)
Grant of performance share to employees	–	–	–	–	82	82
At 30 September 2017	58,481	(214)	124,555	(12)	503	183,313
Total comprehensive income	–	–	(2,882)	1	–	(2,881)
Grant of performance share to employees	–	–	–	–	83	83
Dividends on ordinary shares	–	–	(6,365)	–	–	(6,365)
At 31 December 2017	58,481	(214)	115,308	(11)	586	174,150



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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.**

Issued and fully paid ordinary shares:	Number of Shares	
	As at 31 Dec 2018	As at 31 Dec 2017
As at beginning of period	255,514,739	254,617,792
Purchase of treasury shares	(1,397,000)	-
As at end of period	<u>254,117,739</u>	<u>254,617,792</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 2018	As at 30 June 2018
Total number of issued shares excluding treasury shares	<u>254,117,739</u>	<u>255,514,739</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.**

Treasury shares:	Number of Shares	
	As at 31 Dec 2018	As at 31 Dec 2017
As at beginning of period	200,024	539,208
Purchase of treasury shares	1,397,000	-
As at end of period	<u>1,597,024</u>	<u>539,208</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 2018.

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.

Singapore-incorporated companies listed on the Singapore Exchange are required to apply a new financial reporting framework, the Singapore Financial Reporting Standards (International) (SFRS(I)s), that is identical to the International Financial Reporting Standards (IFRS) for annual periods beginning on or after 1 January 2018. The Group and the Company have adopted the new financial reporting framework, SFRS(I)s, on 1 July 2018 and have prepared its first set of financial information under SFRS(I)s for the half year ended 31 December 2018.

SFRS(I)1 First-time Adoption of SFRS(I)

The Group has elected the optional exemption in SFRS(I)1 to deem cumulative translation differences for foreign operations to be zero on 1 July 2017 and reclassified S\$2.457 million of foreign currency translation reserve to the opening retained earnings as at 1 July 2017. After the date of transition, any gain or loss on disposal of any foreign operation will exclude translation reserves that arose before the date of transition.

SFRS(I)9 Financial Instruments

The Group has adopted the expected credit loss requirements in SFRS(I)9 on the required effective date without restating prior periods' information and recognised any difference between the previous carrying amount as at the end of previous reporting period and the carrying amount as at the beginning of the current reporting period in the opening revenue reserves. As a result, trade receivables and retained earnings as at 1 July 2018 were adjusted by S\$0.38 million.

SFRS(I)15 Revenue from Contracts with Customers

In accordance with the requirements of SFRS(I)1, the Group has adopted the SFRS(I)15 retrospectively.

Before SFRS(I)15, the Group recognised revenue to the extent of contract costs that are likely to be recoverable and contract costs as an expense in the period in which they are incurred.

Under SFRS(I)15, the Group recognises revenue inclusive of estimated variable consideration in exchange of transferring the promised goods or services to a customer. Under SFRS(I)15, the Group recognises costs amortised on a systematic basis that is consistent with the transfer of goods or services transferred. As a result, revenue increased by S\$5.106 million as at 30 Jun 2017 (1H 2018 – decrease S\$0.54 million) and costs increased by S\$4.176 million (1H 2018 – S\$nil), resulting in a net increase of S\$0.93 million in contract assets and S\$0.93 million in retained earnings as at 30 June 2017.



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	Group			Group		
	Q2 2018 S\$'000	Effects of SFRS(I)15	Q2 2018 (Restated) S\$'000	1H 2018 S\$'000	Effects of SFRS(I)15	1H 2018 (Restated) S\$'000
Revenue	70,539	(160)	70,379	151,828	(540)	151,288
Cost of sales	(50,699)		(50,699)	(112,429)		(112,429)
Gross profit	19,840	(160)	19,680	39,399	(540)	38,859
Gross profit margin	28%		28%	26%		
Other operating income	638		638	1,357		1,357
Administrative expenses	(6,715)		(6,715)	(13,249)		(13,249)
Other operating expenses	(11,458)		(11,458)	(23,097)		(23,097)
Finance expenses	(76)		(76)	(167)		(167)
Share of results of associate	101		101	227		227
Profit before taxation	2,330	(160)	2,170	4,470	(540)	3,930
Income tax expense	(568)		(568)	(894)		(894)
Profit after taxation	1,762	(160)	1,602	3,576	(540)	3,036
Attributable to:						
Equity holders of the Company	1,700	(160)	1,540	3,061	(540)	2,521
Non-controlling interests	62		62	515		515
	1,762	(160)	1,602	3,576	(540)	3,036



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	30 Jun 2017 S\$'000	Group Effects of SFRS(I)1,15	30 Jun 2017 (restated) S\$'000	30 Jun 2018 S\$'000	Group Effects of SFRS(I)9	30 Jun 2018 (restated) S\$'000
ASSETS						
Non-current assets						
Property, plant and equipment	83,723		83,723	77,691		77,691
Investment property	7,372		7,372	6,911		6,911
Investment securities	6		6	6		6
Investment in subsidiaries	—		—	—		—
Investment in an associate	4,965		4,965	5,032		5,032
Intangible assets	1,792		1,792	1,657		1,657
Land use rights	661		661	645		645
Deferred tax assets	1,102		1,102	1,881		1,881
Trade receivables	2,218		2,218	1,652		1,652
	<u>101,839</u>		<u>101,839</u>	<u>95,475</u>		<u>95,475</u>
Current assets						
Contract assets	6,167	930	7,097	13,366		13,366
Accrued income	38,949		38,949	46,762		46,762
Inventories	277		277	373		373
Trade receivables	111,633		111,633	92,725	(380)	92,345
Other receivables and deposits	5,459		5,459	6,626		6,626
Prepayments	4,605		4,605	4,113		4,113
Cash and short-term deposits	107,022		107,022	86,795		86,795
	<u>274,112</u>	930	<u>275,042</u>	<u>250,760</u>	(380)	<u>250,380</u>
Total Assets	<u>375,951</u>	930	<u>376,881</u>	<u>346,235</u>	(380)	<u>345,855</u>
EQUITIES AND LIABILITIES						
Current liabilities						
Contract liabilities	38,851		38,851	1,305		1,305
Trade payables	27,011		27,011	17,668		17,668
Other payables and accruals	61,981		61,981	70,439		70,439
Provisions	2,654		2,654	6,029		6,029
Loans and borrowings	788		788	766		766
Income tax payable	303		303	475		475
	<u>131,588</u>		<u>131,588</u>	<u>96,682</u>		<u>96,682</u>
Net current assets	144,742	930	145,672	154,078	(380)	153,698
Non-current liabilities						
Provisions	1,364		1,364	1,238		1,238
Loans and borrowings	8,713		8,713	7,721		7,721
Deferred tax liabilities	427		427	521		521
	<u>10,504</u>		<u>10,504</u>	<u>9,480</u>		<u>9,480</u>
Total Liabilities	<u>142,092</u>		<u>142,092</u>	<u>106,162</u>		<u>106,162</u>
Net assets	<u>233,859</u>	930	<u>234,789</u>	<u>240,073</u>	(380)	<u>239,693</u>
Equity attributable to owners						
Share capital	58,481		58,481	58,836		58,836
Treasury shares	(214)		(214)	(120)		(120)
Statutory reserve	2,553		2,553	2,481		2,481
Fair value reserve	(12)		(12)	(11)		(11)
Retained earnings	170,021	930	170,951	174,077	(380)	173,697
Premium paid on acquisition of non-controlling interests	(2,189)		(2,189)	(2,189)		(2,189)
Foreign currency translation	(2,457)		(2,457)	(2,037)		(2,037)
Share based payment reserve	421		421	122		122
	<u>226,604</u>	930	<u>227,534</u>	<u>231,159</u>	(380)	<u>230,779</u>
Non-controlling interests	7,255		7,255	8,914		8,914
Total Equity	<u>233,859</u>	930	<u>234,789</u>	<u>240,073</u>	(380)	<u>239,693</u>
Total equity and liabilities	<u>375,951</u>	930	<u>376,881</u>	<u>346,235</u>	(380)	<u>345,855</u>



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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 Q2 2018 (Restated)		Group 1H 2018 (Restated)	
	Q2 2019		1H 2019	
Weighted average number of ordinary shares for basic earnings per share computation ('000)	254,843	254,434	254,843	254,434
Effect of dilution				
-Performance share plan ('000)	1,141	2,238	1,141	2,238
Weighted average number of ordinary shares for diluted earnings per share computation ('000)	255,984	256,672	255,984	256,672
Earnings per share (cents per share)				
- Basic	1.2	0.6	1.7	1.0
- Diluted	1.1	0.6	1.7	1.0

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 2018	30 Jun 2018 (restated)	31 Dec 2018	30 Jun 2018
Net asset value per ordinary share based on issued shares at the end of the respective periods (in cents)	89.8	90.3	71.1	71.1
No. of shares in computing NAV ('000)	254,118	255,515	254,118	255,515



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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 Q2 and 1H 2018-19

Revenue

The Group's revenue increased by S\$49.5 million from S\$151.3 million in 1H FY2018 to S\$200.8 million in 1H FY2019. This was mainly due to revenue contribution from project works and maintenance services in 1H FY2019.

Cost of sales

The Group's cost of sales increased by S\$42.7 million from S\$112.4 million in 1H FY2018 to S\$155.2 million in 1H FY2019 mainly due to an increase in direct costs for the project works and maintenance services.

Gross profit and gross profit margin

The Group's gross profit increased by S\$6.8 million from S\$38.9 million in 1H FY2018 to S\$45.7 million in 1H FY2019. The increase in gross profit was mainly due to increase in revenue contribution from project works and maintenance services.

The Group's gross profit margin decreased from 26% in 1H FY2018 to 23% in 1H FY2019. This was mainly resulted from higher operating cost in 1H FY2019.

Other operating income

Other operating income decreased by S\$0.1 million from S\$1.4 million in 1H FY2018 to S\$1.3 million in 1H FY2019. This was mainly due to decrease in interest income and sundry income, the decrease was partially offset by an increase in gain on disposal of assets.

Administrative expenses

Administrative expenses increased by S\$0.7 million from S\$13.2 million in 1H FY2018 to S\$13.9 million in 1H FY2019. This was mainly due to increase in provision of bonus incentive, consultancy fees and utilities charges, the increase was partially offset by a decrease in salaries and general administrative expenses.

Other operating expenses

Other operating expenses increased by S\$2.4 million from S\$23.1 million in 1H FY2018 to S\$25.5 million in 1H FY2019. This was mainly due to higher direct operating cost such as workers accommodation, employee welfare, insurance, transport, personal protective equipment and allowance for doubtful debt.

The increase was partly offset by a decrease in depreciation and forex changes from loss in 1H FY2018 to a gain in 1H FY2019, the forex changes was primarily due to appreciation of USD.



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Finance expenses

Finance expenses increased by S\$0.9 million from S\$0.2 million in 1H FY2018 to S\$ 1.1 million in 1H FY2019. This was mainly due to increase in bank guarantees.

Share of results of associate

The decrease in share of results of associate was mainly due to lower margin resulting from the competitive environment.

Taxation

The effective tax rate increased from 22.7% in 1H FY2018 to 24.5% in 1H FY2019. The increase was mainly attributable to higher tax provision for overseas entities within the Group.



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Balance Sheet Review

The Group's non-current assets decreased by S\$0.4 million from S\$95.5 million in FY2018 to S\$95.1 million in 1H FY2019. This was mainly due to decrease in investment property, property, plant and equipment. The decrease was partially offset by an increase in prepayments and deferred tax assets.

The Group's current assets increased by S\$14.7 million from S\$250.4 million in FY2018 to S\$265.1 million in 1H FY2019. This was mainly due to increase in contract assets, accrued income, inventories, trade receivables, other receivables and deposits. The increase was partially offset by a decrease in prepayments, cash and short-term deposits.

The increase in accrued income and trade receivables 1H FY2019 was due mainly to increase in maintenance activities in 1H FY2019.

Of the S\$107.9 million trade receivables as at 31 December 2018, approximately S\$63.9 million relates to past due receivables. As at 13 February 2019, the Group has collected approximately S\$4.3 million of the S\$63.9 million and collections are continuing.

The Group's current liabilities increased by S\$17.4 million from S\$96.7 million in FY2018 to S\$114.1 million in 1H FY2019. This was mainly due to increase in contract liabilities, trade payables, income tax payable, loans and borrowings.

The Group's non-current liabilities decreased by S\$0.8 million from S\$9.5 million in FY2018 to S\$8.7 million in 1H FY2019. This was mainly due to decrease in deferred tax liabilities, loans and borrowings.

Cash Flow Review

The Group net cash used in operating activities for the Group in 1H FY2019 was S\$2.3 million. This was mainly attributable to increase in accrued income, trade and other receivables and prepayments.

The Group had used S\$4.6 million in investing activities in 1H FY2019. 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 dividend income from associate and proceeds from disposal of investment property, property, plant and equipment and intangible assets.

The Group had used S\$1.7 million in financing activities in 1H FY2019 which was mainly attributable to the repayment of bank borrowings, purchase of treasury shares, and dividend payment to shareholders. The amount was partially offset by proceeds from borrowings to support the construction of fabrication facilities in Vietnam.

As a result of the above, there was a decrease in cash and cash equivalents of S\$8.6 million to S\$77.5 million in 1H FY2019.



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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.

Investments in refining and petrochemical projects are expected to come onstream in Asia and the Middle East in the next five years, including an increasing number of integrated crude and petrochemical facilities.

The International Maritime Organization's (IMO) decision to reduce bunker fuel sulphur levels to 0.5% by January 2020 will have a pronounced impact on relative market prices for marine fuels, other refined products and crude oil worldwide. The refiners are expected to invest in solutions that comply with the regulation.

PEC is well-positioned to benefit from these developments, supported by our established practices and processes, as well as ongoing investments in our people, mechanisation and digitalisation to enhance our capabilities.

We are cautiously optimistic of the near-term outlook, barring unforeseen circumstances and geopolitical factors that could hinder the industry's improving prospects.

The orderbook stands at S\$279.4 million as at 31 December 2018, excluding maintenance contracts.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

NIL.

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

NIL.

(c) Date payable

Not applicable.

(d) Books closure date

Not Applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No interim dividend has been declared/recommended.

13. Interested person transaction

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



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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 aspect.

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 2019