PEC LTD.

EMBRACING CHANGE READY FOR TOMORROW

ANNUAL REPORT 2019

PEC LTD.

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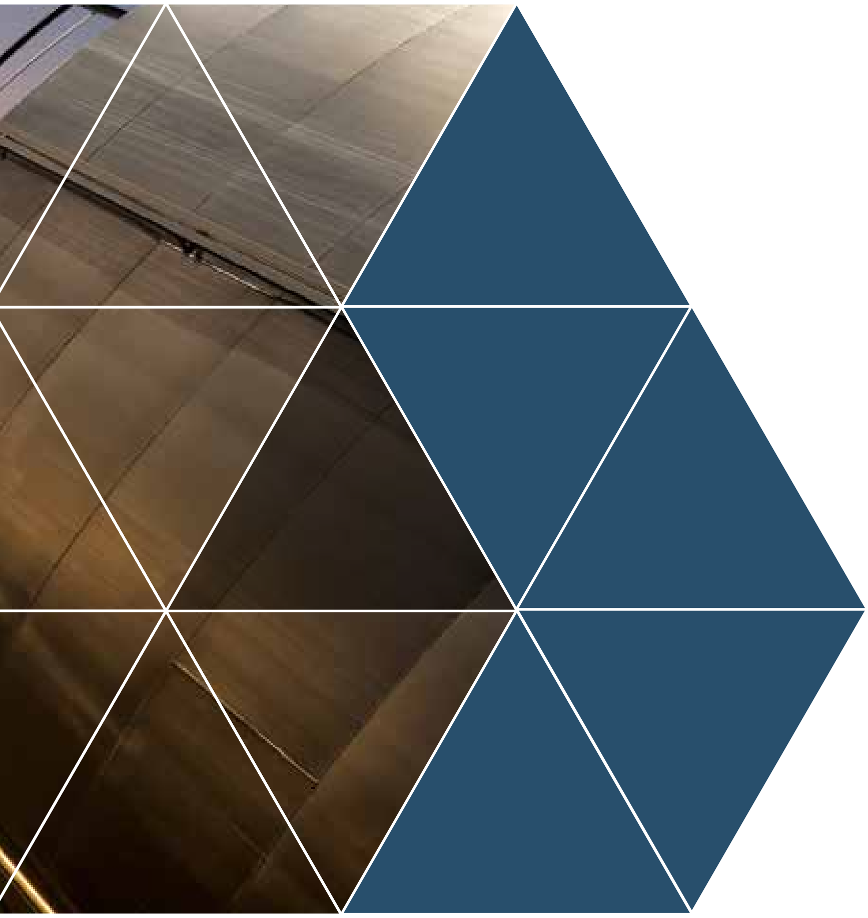
EMBRACING CHANGE READY FOR TOMORROW

PEC has been listed on the Singapore Exchange for a decade now, and our customer base includes MNCs and national oil companies, many of whom have been with us for years.

Our strategic network of nine engineering and fabrication facilities, the latest being in Vietnam, enables us to quickly mobilise our well-trained multi-disciplinary work teams and wide range of equipment to provide customised engineering solutions, while tapping on synergies from our integrated project and maintenance capabilities.



Today, PEC has not only established itself as the largest single-source maintenance services provider in Singapore, but has been adding to its loyal customer base, track record and reputation for both maintenance and project works in Asia and the Middle East.

We are where we are today because of our ability to embrace and quickly adapt to emerging trends in the process industry, and integrate changes in demand as well as advances in modern technology into our processes and skills development to remain competitive, even in challenging times.

We are a part of the success of Singapore, today a global centre for business, innovation and talent, as well as one of the world's leading energy and chemical hubs.

We are ready to take on the opportunities and challenges of our "tomorrow", supported by continued investments to fortify our reputation in the industry. We remain resolute to build on our processes, deepen and expand our engineering capabilities, and care for the well-being of our people, with passion, integrity and a commitment to excellence.

CORPORATE PROFILE

Established in 1982, PEC Ltd. (PEC) has grown into a recognised plant and terminal engineering specialist with fabrication facilities spread across the world – helmed by a strong management team with decades of experience in their individual fields.

Today, PEC serves four main sectors: oil & gas, petrochemicals, oil & chemical terminals and pharmaceuticals.

Our reputation for being a reliable and trusted provider of engineering solutions has won over a growing number of clients in the industries we serve, including prominent MNCs that have been with us since 1982. Over the years, these relationships have allowed us to establish a firm foothold in Asia and the Middle East, where we continue to expand our presence.

One of PEC's core businesses is project works, under which we provide engineering, procurement & construction (EPC), EPC project management and project management consultancy services. Providing plant maintenance services, including plant turnarounds and upgrading, makes up our other core business, where we offer clients all the advantages of a 'one-stop' service. PEC's specialty services cover engineering, mechanical, piping, structural, tankage, electrical & instrumentation, heat treatment, testing & isolation, painting & blasting, scaffolding, insulation & refractories, fireproofing and hydrojetting.

With our established processes and methodologies, PEC aims to be the engineering specialist of choice for customers. To better meet client needs, we are constantly enhancing and expanding our capabilities through acquisitions and technological upgrading.

An experienced and knowledgeable workforce is one of the cornerstones of PEC's success. Furthermore, we have one of the best safety records in the industry. Armed with a large and growing fleet of engineering equipment and supported by our multi-skilled workforce, we can cross-deploy our resources quickly and effectively, giving us the flexibility to respond promptly to customer needs and compete confidently in the industry.

BUSINESS STRATEGY

PEC'S five-prong strategy continues to set it apart from other industry players while enabling it to steadily push forward plans to explore new markets and widen its revenue base.

STRENGTHEN OUR GLOBAL FOOTPRINT

We have made much headway since our first expansion outside Singapore in the early 1990s. Today, we have an established network of engineering facilities in nine countries and we are still looking to grow and deepen our global footprint through opportunities with new as well as existing clients.

KEEP A BALANCED REVENUE STREAM

Recognising the importance of steady revenue flows, we have taken pains to strike a satisfactory balance between income contributions from our engineering, procurement & construction (EPC) projects and those from our maintenance services division. Our unique ability to synergise and leverage on these two core businesses has proved invaluable in maintaining a balanced revenue stream.

ADD TO NICHE CAPABILITIES AND PRODUCTS

We actively pursue opportunities to add to our core capabilities by seeking out partners that offer specialised services and products that will provide us with a unique edge. Through strategic investments or joint ventures, we are able to acquire niche capabilities and products that help to extend our customer base and gain inroads into new markets.

DEEPEN EXISTING ENGINEERING AND ICT CAPABILITIES

We continually implement strategic initiatives to deepen and widen our existing engineering and ICT (Information and Communications Technology) capabilities that enable us to enhance our competitive edge. With the wave of digitalisation making its way into the process industry, we recognise the need to strengthen our overall engineering capabilities by leveraging on the latest ICT developments to serve the requirements of the new/upgraded "next generation" integrated refining and manufacturing facilities that are being built around the world.

EXPLORE ADJACENT INDUSTRIES

Armed with a thorough understanding of the process industries and a sturdy network of strategic business alliances, we continue to explore fresh channels into adjacent industries such as the energy-related and upstream oil & gas sectors. The Group is well-equipped to capture growth in these areas, where energy demand is expected to continue to rise in the mid to long term.

BUILDING

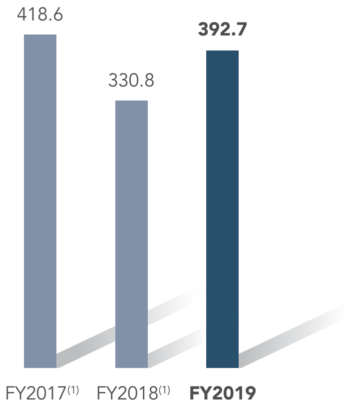
WE DON'T

JUST PLAN.

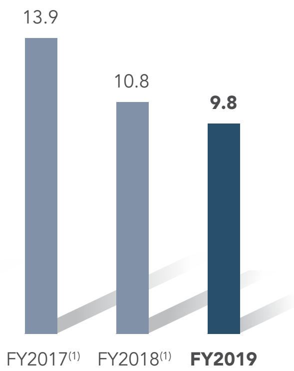
WE ARE TIRELESSLY BUILDING ON OUR PROCESSES AND COMPETENCIES THROUGH VARIOUS STRATEGIC UPGRADING AND TRAINING INITIATIVES SUCH AS THE MULTI-SKILL INCENTIVE PROGRAMME, WHILE CARING FOR THE SAFETY, HEALTH AND WELL-BEING OF OUR PEOPLE.

FINANCIAL HIGHLIGHTS

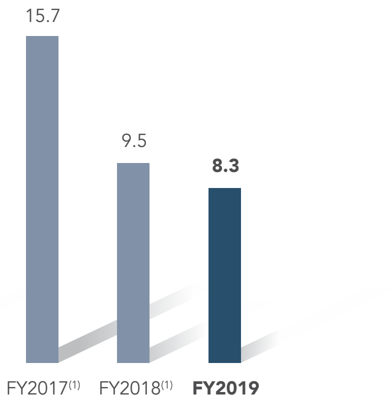
REVENUE
(S$ m)



NET PROFIT AFTER TAX
(S$ m)



NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS
(S$ m)



KEY FINANCIAL RATIOS	FY2017[1]	FY2018[1][5]	FY2019
Earnings per Share (cents)[2]	6.2	3.7	**3.2**
Net Asset Value per Share[3] (cents)	89.0	90.5	**90.8**
Gross gearing (%)[4]	4.2	3.7	**8.2**

As at 30 June

BALANCE SHEET (S$ million)	2017[1]	2018[1]	2019
Non-current assets	101.8	95.5	**102.1**
Current assets	274.1	250.8	**333.2**
Current liabilities	131.6	96.7	**185.8**
Non-current liabilities	10.5	9.5	**8.5**
Shareholders' equity	226.6	231.2	**231.5**
Minority Interest	7.3	8.9	**9.5**

CASHFLOW STATEMENT (S$ million)	FY2017[1]	FY2018[1]	FY2019
Net cash (used in)/generated from operating activities	(25.7)	(7.1)	**22.3**
Net cash (used in)/generated from investing activities	(4.7)	(6.0)	**(17.8)**
Net cash (used in)/generated from financing activities	(15.0)	(7.6)	**3.4**
Cash & cash equivalents at beginning of financial year	150.6	107.0	**86.7**
Cash & cash equivalents at end of financial year	107.0	86.7	**93.4**

Notes :

(1) Restated figures for FY18 are prepared in accordance with SFRS(I).
FY17 figures are not restated and are prepared in accordance with FRS.

(2) EPS is computed using the net proft attributable to Shareholders of the Company divided by weighted average number of ordinary shares for basic earnings.

(3) NAV per Share is computed by dividing NAV (which is net assets attributable to Shareholders of the Company) by the share capital as at the end of financial year.

(4) Gross gearing is computed using the total loans and borrowings of the Group divided by the equity attributable to owners of the Company.

(5) In FY18, PEC reissued 539,184 and purchased 200,000 treasury shares, and issued 557,763 new ordinary shares.
As at 30 June 2018, PEC has 255,514,739 issued ordinary shares excluding treasury shares.

CHAIRMAN'S MESSAGE

"FROM BEING JUST A MAINTENANCE SERVICES PROVIDER TO A SINGLE CUSTOMER IN THE 80S, PEC HAS TRANSFORMED ITSELF INTO AN ESTABLISHED AND DEPENDABLE NAME IN THE INDUSTRY, BOTH LOCALLY AND REGIONALLY, RESPECTED FOR ITS PROVEN CAPABILITIES AS AN ENGINEERING SERVICES PROVIDER."

Edna Ko Poh Thim
Executive Chairman

Dear Shareholders,

Reflecting the recovery in investments in the process industry, PEC achieved a 19% higher revenue of S$392.7 million for the financial year ended 30 June 2019 (FY2019) from both project works and maintenance services.

Project works reported a 41% rise in revenue to S$146.3 million while revenue from maintenance services climbed steadily to S$246.0 million, in line with the Group's strategy to grow its recurrent income base.

The Group reported a net profit after tax of S$9.8 million compared with FY2018's S$10.8 million, largely due to the competitive operating conditions.

EMBRACING CHANGE, READY FOR TOMORROW

Embracing Change

From being just a maintenance services provider to a single customer in the 80s, PEC has transformed itself into an established and dependable name in the industry both locally and regionally, respected for its proven capabilities as an engineering services provider. Our nine strategically located network of engineering and fabrication facilities, the latest being in Vietnam, along with our established processes and well-trained people have enabled us to respond quickly to the varied needs of our MNC clients in our key markets in Asia and the Middle East.

Underlining these developments is our diligent focus on building our track record, improving our productivity as well as expanding and deepening our markets, capabilities and product offering. This broad strategy has served us well as we renew and re-invent ourselves, embracing and adapting quickly to changes in market demand and emerging trends driven by product innovation and technology.

Over the years, we have built a solid track record in both project works and maintenance services, and today, PEC is the largest maintenance services provider in the process industry in Singapore, and continues to provide a comprehensive range of services, including integrated plant maintenance services and turnaround work, in the region.

Ready for Tomorrow

The industry is said to be in the midst of the Fourth Industrial Revolution, where a new generation of sophisticated technologies is transforming manufacturing into a highly connected, intelligent, and ultimately, more productive industry[1]. The process industry is not spared from this transformation, with the inevitable onset of digitalisation set to drive productivity and efficiency in our workplace and operations.

At PEC, we are constantly deepening and widening our engineering and ICT (Information, Communication and Technology) capabilities to prepare us for the 'smart wireless' plant of tomorrow, and strengthen our ability to improve the reliability and maintainability of a facility even more efficiently.

Advances in technology, however, and even our well-established processes principally serve to improve the platform on which we operate. We fully recognise that the heart of PEC's success is our team of motivated and skilled people who are also trained to be ICT proficient. Staff development therefore, including care for their safety, health and welfare, has always been our top priority. This, and our continuous effort to attract and add talented and committed individuals to our team help to ensure that we are ready for tomorrow.

PROSPECTS AND OUTLOOK

The pipeline for project works and maintenance, including turnaround work, which has begun to come onstream in Singapore and the region is expected to keep us fairly busy in the next few years.

Despite the brighter outlook, the operating environment remains challenging largely due to intense competition and geopolitical tensions. Nevertheless, we are confident that the Group's ongoing digitalisation efforts and the building of deep engineering capabilities have placed PEC well for rising opportunities in existing and adjacent market segments.

We shall continue to tap on synergies from our integrated maintenance and project capabilities to further entrench our name in the industry. We aim to grow with Singapore as the nation cements itself as one of the world's key chemical and energy hubs.

PROPOSED DIVIDEND

In appreciation of the steadfast faith and support of our shareholders, the Board has proposed a final tax-exempt, one-tier dividend of 2.0 S¢ per ordinary share for FY2019. If approved by shareholders at the Annual General Meeting scheduled for 23 October 2019, the total payout will be S$5.1 million.

ACKNOWLEDGMENTS AND APPRECIATION

PEC's achievements over the years would not have been possible without the support of all its stakeholders.

In this respect, the Board and I would like to thank all our staff for their hard work and commitment to excellence, always upholding the PEC name and fully supporting the Group's efforts to stay competitive.

We are also grateful to our shareholders, clients and business partners for their trust in us to steer PEC into the next chapter of the company's journey.

Together, I am confident that we shall overcome challenges in the industry arising from digitalisation and changes in demand, and build a brighter future for all.

Edna Ko Poh Thim
Executive Chairman

Footnote 1:
Microsoft's 2019 Manufacturing Trends Report

BOARD OF DIRECTORS

L-R
Edna Ko Poh Thim
Robert Dompeling

L-R
Wong Peng
Dr Foo Fatt Kah

L-R
Tan Whei Mien, Joy
David Wong Cheong Fook

EDNA KO POH THIM
Executive Chairman

Ms Ko is our Executive Chairman and sits on our board of directors. She joined PEC as an executive director in February 1984 and was named Executive Chairman in July 2007. Today, she is responsible for the Group's overall business strategy and development.

When she served as Managing Director from August 1991 to June 2007, she was instrumental in implementing PEC's local and overseas expansion through organic growth, mergers and acquisitions and strategic joint ventures.

Ms Ko is also active in community service, having been a member of The Rotary Club of Jurong Town since 1999 and a patron of the Siglap South Community Centre Management Committee since 2002. She earned her bachelor's in business administration from the University of Hawaii in the United States of America.

ROBERT DOMPELING
Group Chief Executive Officer

Mr Dompeling is our Group Chief Executive Officer and sits on the board, having served in both capacities since joining PEC in July 2007. His responsibilities include managing the Group's operational, commercial and financial divisions, as well as shaping its business development and expansion.

He honed his skills as a petroleum engineer at the Royal Dutch Shell Group in the Netherlands. From July 1984, he served in various positions that saw him posted to countries such as the United Kingdom and Oman. Between 1988 to 2007, he held various key management roles at the Dutch-based Royal Vopak group, overseeing the growth and development of its Singapore business.

Mr Dompeling earned his master's in naval architecture at the Delft University of Technology in the Netherlands.

WONG PENG
Non-Executive and Non-Independent Director

Mr Wong is our Non-Executive and Non-Independent Director and sits on the board, to which he was appointed in December 1988. He provides business and technical advice to the Management of the Group.

He began his career as a mechanical engineer with Tian San Singapore in 1978 before joining PEC in 1982 as a material and equipment controller. After becoming an Executive Director and General Manager in December 1988, he was appointed as Managing Director in July 2007. In September 2017, Mr Wong retired as Managing Director to assume his current role in the Group.

Mr Wong earned his bachelor's in mechanical engineering from the then University of Singapore. He has been a member of The Institution of Engineers, Singapore since June 1991.

DR FOO FATT KAH
Lead Independent Director

Dr Foo is our lead independent director and heads our Remuneration Committee, having been appointed to the board in June 2009. An investment banking veteran with two decades of experience behind him, he was, earlier in his career, a rated Healthcare analyst in the Institutional Investor and Extel Europe polls. He began his career in 1987 as an equity analyst in London, gaining exposure at a number of leading investment banks including Robert Fleming and Barings Securities. He returned to Asia in 1994, and later became Managing Director and Head of Asian Equities at SG Securities Asia, the investment banking division of Société Générale (SG), in charge of 10 Asian countries.

Dr Foo is the Managing Director and co-founder of Luminor Capital Pte Ltd, an Asia-Pacific private equity fund advisory company specialising in Healthcare and Resources. He is currently a non-executive director of Anchor Resources Limited, Ayondo Ltd. and Variscan Mines Ltd, an ASX-listed company, and sits on the board of a number of private companies and funds. Dr Foo has degrees in medicine and a master's in business administration from Queen's University, United Kingdom.

DAVID WONG CHEONG FOOK
Independent Director

Mr Wong joined the board as an independent director in January 2014. He is the Chairman of our Audit and Risk Management Committee.

Mr Wong is also a director at United Engineers Limited and Banking Computer Services Pte Ltd. In addition, he serves as the Chairman of Republic Polytechnic, a Board Member of the Casino Regulatory Authority and a Member of the Charity Council.

He was a partner with Ernst & Young LLP, and subsequently the Managing Director of Wearnes Technology Pte Ltd. A retired colonel, Mr Wong held senior positions in operations and logistics in the Republic of Singapore Air Force. He was awarded the Public Service Star (Bar) in 2016.

He has a bachelor of arts (honours) and a master of arts from the University of Cambridge. He is a member of the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors.

TAN WHEI MIEN, JOY
Independent Director

Ms Tan joined the board as an independent director in October 2017 and is the Chairman of our Nominating Committee.

Ms Tan is also a partner of WongPartnership LLP and is the Joint Head of the Commercial & Corporate Disputes Practice, the Corporate Governance & Compliance Practice and the Financial Services Regulatory Practice.

Her main practice areas are banking, corporate and commercial dispute resolution, and contentious investigations. She also regularly advises on corporate governance and financial services regulatory matters under the Companies Act, Securities and Futures Act and other regulatory statutes, including in relation to corporate fraud, anti-money laundering issues and market misconduct.

Ms Tan graduated with First Class Honours from Cambridge University and is admitted to both the English Bar and the Singapore Bar. She joined the Singapore Legal Service as a Justices' Law Clerk with the Singapore Supreme Court before entering private practice.

TRANSFORMING

WE DON'T
JUST CHANGE.

WE ARE CONTINUALLY TRANSFORMING OUR MINDSET AND DEVELOPING CREATIVE SOLUTIONS TO OVERCOME CHALLENGES IN THE PROCESS INDUSTRY, SWIFTLY ADOPTING AND ADAPTING NEW TECHNOLOGIES, PROCESSES AND SKILL SETS WHICH DEEPEN AND WIDEN OUR ENGINEERING AND ICT CAPABILITIES FOR "TOMORROW".

OUR ESTABLISHED AND STRATEGICALLY LOCATED NETWORK OF ENGINEERING FACILITIES SPANS TWO REGIONS, REACHING AND SERVING CLIENTS IN NINE COUNTRIES.

ASIA

Sturdily rooted in Asia, the Group has built a significant presence in Singapore, China, India, Indonesia, Malaysia, Myanmar, Thailand and Vietnam.

MIDDLE EAST

Our existing operations in the United Arab Emirates give us a strong springboard for growth in the Middle East region.

GLOBAL PRESENCE

CEO'S MESSAGE

Dear Shareholders,

With the steady flow of new projects coming onstream, PEC was able to ride on the recovery and grew its orderbook to S$362.6 million, excluding maintenance contracts, in the financial year ended 30 June 2019 (FY2019). Since then, the Group has successfully secured another S$130.0 million worth of new projects in Asia with existing clients.

FINANCIAL REVIEW

Revenue and Profit

Revenue from project works, together with the steady rise in maintenance services, contributed to the Group's revenue increase of 19% year-on-year to S$392.7 million in FY2019.

The higher level of activity in our operations, however, resulted in a 24% rise in the cost of sales - largely from increases in manpower, materials and equipment rental costs - and the Group reported a gross profit of S$87.0 million which was 3% above FY2018's S$84.4 million.

Although we achieved lower administrative expenses, this was more than offset by higher other operating expenses. As a result, the Group's net profit after tax came in 9% lower at S$9.8 million.

Balance Sheet and Cashflow Statements

PEC reported an operating cashflow before working capital changes of S$22.4 million in FY2019 against S$30.6 million previously. However, the S$78.9 million from the increase in contract liabilities and trade and other payables helped the Group generate a net cashflow in operating activities of S$22.3 million, a turnaround from FY2018's net cashflow used of S$7.1 million.

The Group used S$17.8 million in investing activities in FY2019, mainly for the development of its fabrication and engineering facility in Vietnam and the purchase of equipment and vehicles to support the operations there. The net cashflow from financing activities added S$3.4 million so that PEC achieved a net increase in cash and cash equivalents of S$7.8 million.

PEC's balance sheet remained healthy with a net cash of S$75.3 million and a minimal gross gearing of 8.2% as at 30 June 2019.

Segmental Performance

Revenue from project works rose sharply by over 40% to S$146.3 million, reflecting the turnaround in the flow of project investments in the Group's key markets in Asia.

Maintenance services reported a 8.6% increase in revenue to S$246.0 million, supported by firm demand for plant shutdown and turnaround works as well as other services in Singapore and the region. The steady growth of maintenance revenue, from S$149.3 million in FY2016 to S$246.0 million is in line with the Group's strategy to grow its recurrent income base.

In terms of geographical segment, revenue came mainly from both project and maintenance work in Singapore. Our strong track record and skilled workforce enabled us to benefit from the various investments by MNC clients to upgrade and expand their facilities, as well as manufacture 'cleaner fuels' and higher grade products.

BUSINESS REVIEW

During the year, we focused on fortifying PEC's stature in the industry, embracing changes in our operating environment, and sharpening our competitive edge by deepening and widening our skill levels as well as our engineering and ICT (Information and Communications Technology) capabilities. We also worked to grow and build a more balanced revenue stream between our projects and maintenance services.

We are confident that these ongoing strategies will position PEC well for the "next generation" integrated manufacturing facilities that are being built around the world.

Building Our Brand and Reach

Through Our Strategically Located Facilities in the Region

In line with our strategy to build on the PEC brand and expand our market reach, the Group recently completed its ninth integrated fabrication and maintenance facility in Vietnam's key petroleum and industrial hub in the Nghi Son Economic Zone. This facility adds to our strategically located network and fortifies our competitive position in Asia, a fast-growing region for refining and petrochemical investments.

The facility will support not only our clients in Vietnam but also clients in and around the region.

Through Our People

With our emphasis on the safety and health of our people, PEC has built a strong safety record in the industry, upheld by our innovative and effective system of HSSE (Health Safety Security Environment) standards and best practices.

We have earned numerous awards from the Singapore Health Promotion Board and the Workplace Safety & Health Council (WSHC) over the years. In FY2019, PEC garnered 11 WSH awards - four WSH Performance Awards (a Gold and three Silvers), six WSH SHARP Awards for high safety standards at worksites, and a WSH Supervisor award - as well as the Singapore HEALTH merit award.

The growth of PEC's reach and reputation is also well supported by our well-trained, experienced and motivated people in Singapore and overseas. Our ongoing training programmes ensure that we have experienced and skilled people to provide safe, cost-efficient, and high-quality project execution for the contracts we undertake.

Through Our Capabilities and Processes

The Group has, over the years, developed a comprehensive range of engineering services, from the front-end engineering design stage and throughout the project life cycle, and we have harnessed the synergies of our integrated project works and maintenance capabilities to stay competitive.

Transforming PEC

Through Our Customised Digitalised Systems

Digitalisation is a major trend that has already begun to impact the process industry, driving the wider use of 'smart' technology in the entire design, development and construction of integrated manufacturing facilities.

We were early adopters of technology and today, PEC continues to leverage on digital technology to raise our productivity and efficiency. Last year, we introduced wireless infrastructure and smart mobile devices within plants to deliver our customised in-house developed cloud-based applications that enhance our effectiveness, safety and efficiency in plant maintenance work.

LOOKING AHEAD

Investments in energy, petrochemical and chemical projects, particularly by MNCs or state-owned corporations, in the countries where we operate have largely continued and remain active, driven mainly by the shift towards 'cleaner' fuels and higher value-added products.

However, keen competition and cost pressures will persist in FY2020 and the ongoing geopolitical tensions will add to the challenging operating environment. We are nevertheless confident that the growth strategies we have in place, established track record, integrated project and maintenance capabilities, and prudent capital management practices will enable us to capture fresh opportunities. The Group remains committed to expanding its footprint in Asia and the Middle East, and move into adjacent industries.

Robert Dompeling
Group Chief Executive Officer

SUSTAINABILITY REPORT

ABOUT THIS REPORT

We are proud to share our second sustainability report, published annually, which outlines PEC's approach to the management of Environmental, Social and Governance (ESG) risks and opportunities across our business. We believe that reporting is an important avenue to demonstrate our commitment towards being a responsible and ethical business, striving to meet the highest standards of business conduct in everything that we do. It is also an important opportunity for us to communicate to our stakeholders, with accountability and transparency, our sustainability performance and our efforts to continue improving in this aspect.

Scope of the Report

In our last report, we identified the material ESG issues for our company and started reporting on our management approach and performance for each material issue. This year, we continue to report on our progress, provide further disclosures for each material issue, and highlight both improvements we have made and areas that remain a challenge. This report covers our activities in the financial year ending 30 June 2019. Where applicable, data from previous financial years have been included for comparison and to show our performance over time. Unless otherwise stated, the information provided in this report covers the PEC Group's network of engineering facilities and offices located in Singapore, China, India, Indonesia, Malaysia, Myanmar, Thailand, UAE and Vietnam. Some of the chapters include data which is limited only to our operations in Singapore and/or UAE. The scope of the data is stated clearly in the chapters.

Reporting Framework

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core Option. This includes adhering to the GRI principles for defining report content and reporting quality. Our GRI content index, which specifies each of the GRI Standards disclosures included in this report, can be found on page 36. The report also complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide.

Assurance

We have relied on internal verification processes to ensure the accuracy and reliability of the ESG data contained in this report, and have not sought external assurance for this reporting period.

Contact Us

If you have any feedback and questions about this report, please contact us at ir@peceng.com

KEY PERFORMANCE HIGHLIGHTS AND TARGETS

	FY2019	Targets for FY2020
Governance		
Anti-Corruption & Compliance	No substantiated incidents of corruption and non-compliance in our organisation in the reported period	Maintain **zero** incidents of corruption and non-compliance in our organisation
Economic		
Economic Performance*	Worked with a total of **1,914** suppliers	Maintain at least **85%** of procurement spending on local suppliers
	$86 mil of our procurement spend is with local suppliers, which equals **86%** of our total procurement spend	
Customers**	**89.2%** for our Customer Satisfaction Score, exceeding our target of 80%	Achieve average of **80%** for our Customer Satisfaction Score
Social		
Talent Management	**50%** of our workers have more than 1 certified skill	Maintain at least **80%** employee satisfaction in our biennial Employee Satisfaction Survey
	$978 spent on average per employee on learning and development	
	46 hours of training received per employee on average	
	$5.1 mil spent on learning and development, a **14%** increase from FY2018	
	>96% satisfaction score in our biennial Employee Satisfaction Survey for the past few years	
Human Rights	No substantiated incidents of non-compliance relating to discrimination, forced labour, child labour or freedom of association in the reported period	Maintain **zero** incidents of non-compliance relating to discrimination, forced labour, child labour or freedom of association
Occupational Health and Safety	**Zero** fatalities	Achieve **zero** lost-time incident rate
	0.05 Lost Time Incident Rate (LTIR)	
	27.2 hours of safety training per employee	
	11 Workplace Safety and Health (WSH) Awards, from Singapore Workplace Safety and Health Council	
	OHSAS 18001 certified since 2002	
Environment		
Energy Consumption	**4,471** total energy intensity in gigajoules/ million man-hours worked	Continue to monitor our energy consumption and adopt more energy efficient technologies and practices, where feasible
Greenhouse Gas (GHG) Emissions	**336** total GHG emissions intensity in tonnes of CO2e/million man-hours worked	Continue to monitor our greenhouse gas emissions and identify opportunities to reduce our carbon footprint
Communities		
Local Communities**	**629** hours of volunteering contributed by our employees	At least **550** hours of volunteering contributed by our employees

*Data is limited only to our operations in Singapore and UAE
**Data is limited only to our operations in Singapore only

SUSTAINABILITY REPORT

CEO'S MESSAGE

Welcome to PEC's second sustainability report. For us, sustainability means recognising the interconnections between the economic, social and environmental factors shaping our operating context and managing these over the long term to create value for our stakeholders.

The energy market is being redefined as the world transitions towards a low carbon economy and new technologies transform the way we work. At PEC, continuous improvement is part of our DNA. We are committed to channelling our resources to employ strategies to be a leading service provider in the process industry. We aim to push boundaries, looking for smarter and more efficient ways to deliver value for our customers. Key to this is our focus on developing our talent pool and to increase productivity through innovation.

With the increasing challenge in attracting young talent to join this industry, we need to continue to invest in talent attraction and retention. Once new hires come through our doors, they embark on a learning journey which ensures they continuously upgrade their skills over the years. This strong emphasis on talent development applies to all levels of employees to ensure that high quality of work is delivered to our customers. Innovation is also a core aspect of our business strategy. We continue to make significant investments in technology including SMSGo, a new mobile application launched this year to increase efficiency to our Health, Safety, Security and Environment (HSSE) operations. Safety is also our utmost priority and PEC is committed to ensuring an effective health and safety culture in our workplace.

Looking ahead, while the industry is facing increasing cost pressures and competition, PEC remains committed to our sustainability commitments, as both a key differentiator and a means to build resilience into our business. Just as we seek continually to improve our business operations, we also continue making efforts to improve on our sustainability strategy, performance and disclosures. This year, we disclose our sustainability targets for all our material issues.

With that, I am proud to present our Sustainability Report for FY2019. On behalf of the Board, I would like to thank our employees and key stakeholders for being part of PEC's journey towards greater heights and helping us to shape our company towards one that continues to focus on delivering long-term value.

Thank you.

Robert Dompeling
Group Chief Executive Officer

"AT PEC, CONTINUOUS IMPROVEMENT IS PART OF OUR DNA. WE ARE COMMITTED TO CHANNELLING OUR RESOURCES TO EMPLOY STRATEGIES TO BE A LEADING SERVICE PROVIDER IN THE PROCESS INDUSTRY."

Robert Dompeling
Group Chief Executive Officer

OUR APPROACH TO SUSTAINABILITY

PEC's approach to sustainability is to focus on continual improvement to deliver long-term value for all our stakeholders. We constantly seek improvements in the management and performance of our material issues. Our approach to sustainability also incorporates our Corporate Social Responsibility (CSR) Policy and our 6Cs values, reflecting our goals to be a responsible company delivering value to the wider community.

Our CSR Policy, which covers the four broad areas below, outlines how we conduct business in support of our vision, mission and objectives:

1. Business Ethics
2. Environment and Safety
3. Employee Relations
4. Community

Sustainability Governance

At PEC, our Board has overall oversight of our sustainability issues. The Board is supported by a Sustainability Management Council which is chaired by our Group CEO. The Council members include key management staff and function heads, who are in turn supported by a sustainability reporting project team.

The Council meets and reports to the Board. Our Business Excellence (BE) Committee, which is made up of senior management from different departments and reports to the CEO, sets Business Excellence targets for the company. These targets, which includes both financial and sustainability targets, are endorsed by the Group CEO and are reviewed every year. Our targets set in FY2019 are listed on page 15 of this report.

This approach ensures that our approach to sustainability is in line with SGX requirements, where the Board endorses the material issues presented in this report, as well as provides oversight of the management and monitoring of these material issues factors through periodic review of the key performance indicators (KPIs).

Our Material Issues

In FY2018, we conducted a materiality assessment to identify the most significant Environmental, Social and Governance (ESG) risks and opportunities for our business. As part of this process, we engaged internal stakeholders, including various departments and senior management, to better understand their perspectives.

PEC VALUES: THE 6Cs

Caring:

We care for our colleagues, care for the company assets, care for the community and care for society

Continuous Learning:

We strive to continuously improve our services by keeping abreast with the latest technology and know-how

Customer Focus:

We offer services to the best of our ability and build consensus to maintain an everlasting relationship

Competencies:

We strongly believe our service is competencies driven and we will take every opportunity to upgrade our competencies

Commitment:

We are second to none in terms of delivery of HSSE, Quality and Schedule

Cost Effective:

We are resourceful, confident and willing to benchmark our productivity, sales and profit

OUR MATERIAL ISSUES ARE AS FOLLOWS:

Material Issues	Why This is Material	Covered In
Environment		
Energy Consumption	Electricity is used in our offices and fabrication facilities. We also use diesel for transportation and on-site equipment.	Pages 32 - 33 (Environmental Management)
Greenhouse Gas (GHG) Emissions	Our electricity and diesel use leads to GHG emissions.	Pages 32 - 33 (Environmental Management)
Social		
Talent Management	We are focused on building a talent pool of employees who are able to deliver high quality work for our clients.	Pages 23 - 29 (People)
Occupational Health and Safety and Quality	Our operations include project works and maintenance services, which present a level of risk for the safety of our employees.	Pages 30 - 31 (Occupational Health and Safety)
Human Rights (1)	A large proportion of our workforce are foreign workers on fixed-term contracts, who require additional safeguards to protect their well-being.	Pages 23 - 29 (People)
Communities		
Local Communities	We strive to contribute back to the communities where we operate through our CSR programmes.	Pages 34 - 35 (Community)
Economic		
Economic Performance	Strong economic performance is key to our business success.	Page 21 (Economic Performance)
Anti-Corruption	We have a zero tolerance policy against corruption and strive to incorporate this culture into all aspects of our business.	Page 20 (Governance)
Compliance	Compliance is crucial for us to avoid legal risks and build trust with our key stakeholders.	Page 20 (Governance)

1 Non-discrimination, forced labour, child labour, freedom of association and collective bargaining

STAKEHOLDER ENGAGEMENT

We recognise the importance of ongoing stakeholder engagement to improve our business performance. Our efforts are outlined in the table below:

Stakeholder Group	How We Engage	Stakeholders' Expectations	Our Response
Customers	• Meetings • Customer satisfaction surveys • Regular feedback	• On-time and high quality delivery of projects • Safety standards and performance • Cost efficiency • Productivity • Adequate resources	• Rigorous project planning • Adopting stringent health and safety standards • Implementing continuous improvement • Regular training for skills development • Focus on innovation
Employees	• Department meetings • Team building activities • Performance appraisals • Employee satisfaction surveys • Training programmes	• Fair treatment • Recognition • Personal development and career progression • Workplace safety • Work-life balance	• Strict implementation of workplace health and safety standards • Competitive compensation and benefits • Ongoing training programmes • Open door policy to promote transparency and communication • Welfare programmes
Suppliers	• Pre-qualification feedback • Quotations and proposals • Site visits • Quality audits	• Fair business practices • Payment according to contracts • Business continuity and long-term relationship	• Fair selection process • Clarity of specifications and requirements • Efficient processing of payments • Fair treatment • Partnering for mutual growth
Regulators	• Industry meetings and seminars • Inspections • Submission of information when requested • Responding to surveys	• Regulatory compliance • Participation in various programmes to engage the industry	• Governance, policies and procedures to comply with applicable laws and regulations • Regularly updating policies in line with emerging regulatory changes
Investors	• Annual General Meetings • Announcements on the website and the Singapore Exchange portal • Press releases • Annual Report • Dedicated webpage for Investor Relations • Briefings for analysts and fund managers	• Robust management • Transparency • Business growth • Dividend and performance shares	• Robust governance • Risk management • Prudent management of resources • Timely disclosures • Focus on business and sustainability strategies for growth and value creation
Communities	• Community engagement and initiatives	• Safety and pollution control at work sites • Support for community development	• Safe driving training for company vehicle drivers • Noise, dust and pollution control measures • Employment for locals, including internships • Employee volunteering

SUSTAINABILITY REPORT

ENGAGING INDUSTRY ASSOCIATIONS

To keep abreast of wider industry trends and best practices, we maintain membership and engagement with the following industry associations:

GOVERNANCE

Our approach to business ethics and corporate governance guides our approach to sustainability. We firmly believe in the importance of cultivating an ethical environment to preserve and enhance value for all stakeholders.

Code of Business Ethics and Conduct

The basic principles guiding our expectations of all employees include:

- Compliance with laws, rules and regulations in cities and countries which the company operates
- Avoiding conflicts of interest
- Prohibition of insider trading
- Applying good judgement with regards to gifts and entertainment
- Reporting any illegal or unethical behaviour

Employees are encouraged to report to immediate supervisors, managers, the Management or Audit and Risk Management Committee if they observe any illegal or unethical behaviour.

Whistleblowing Policy

Our whistleblowing policy outlines the reporting procedures for employees and external parties, such as customers, suppliers, contractors and the general public, to raise concerns on malpractices within the company. This also enables management to be informed of misconduct earlier on and develop a culture of openness, accountability and integrity in the company.
We adhere to a strict non-retaliation policy, where employees reporting a concern in good faith will be protected against reprisals. All concerns will also be treated with strict confidentiality. For more information, please refer to our website.

Training

We believe in ongoing investment in training to improve the level of understanding on corporate governance among our workforce. In FY2019, we sent key members of our workforce for training on corporate governance.
Our Board of Directors also attended seminars on corporate governance, organised by entities such as Singapore Institute of Directors (SID), to keep up to date with the latest regulatory changes. There were no substantiated incidents of corruption in our organisation in the reported period.

ECONOMIC PERFORMANCE

We are committed to ensuring the sustainable growth of PEC's business as well as the creation of value for our stakeholders. This is supported by the delivery of strong financial performance for our shareholders.

A summary of our economic performance, extracted from the financial statement, is presented below:

Economic Performance Indicators (S$'M)	FY2016[(1)]	FY2017[(1)]	FY2018[(1)]	FY2019
Revenue	575.1	418.6	330.8	**392.7**
Profit after tax	22.3	13.9	10.8	**9.8**
Total expenses (including staff costs)	563.1	413.6	322.6	**383.9**
Staff costs / Employee benefits expenses	172.7	149.1	139.2	**163.9**
Net GST payables	2.2	3.6	1.7	**1.1**
Income tax expense	5.7	1.4	2.6	**3.1**
Retained earnings	163.4	170.0	171.6	**174.0**
Dividend (declared and paid)	2.5	7.6	6.4	**5.1**

Indirect Economic Impact (Supply Chain)

1,914
suppliers which provided goods/services to PEC

$86 mil
spent on local suppliers

86%
of procurement spending on local suppliers (defined as Singapore-registered companies)

Targets

Maintain at least
85%
of procurement spending on local suppliers

For our Singapore office, 86% of our procurement spending is on local suppliers. For our offices in the other countries, we also purchase from local suppliers where possible and feasible.

When assessing suppliers, we consider performance on other indicators such as quality of service and safety, on top of price competitiveness. Depending on the needs of our clients, we may also assess other areas of performance such as environmental impact. We conduct periodic audits of our suppliers to ensure they meet our requirements.

Across the Group, our procurement broadly falls into two main categories:

- Equipment, materials and services required to deliver projects and fulfil client expectations such as steel tank plates, pipes, equipment rental, testing services from certification bodies, among others

- Procurement of other types of good and services to support the day to day running of our operations, such as paper, water, office equipment, electricity and accommodation and transportation for our site workers

Note:
The above figures on indirect economic impact only cover our Singapore and UAE operations

(1) Restated figures for FY18 are prepared in accordance with SFRS(I).
FY2016 and FY2017 figures are not restated and are prepared in accordance with FRS.

CUSTOMERS

As a service provider, customer satisfaction is at the core of our business. We are committed to quality excellence, aspiring to exceed customers' expectations for every project we undertake. Customer-related matters are guided and monitored by our Occupational, Health, Safety, Environmental, Quality and Security (OHSEQS) Committee.

Key Performance Highlights

89.2%
for our Customer Satisfaction Score, exceeding our target of 80%

Targets

Achieve average of
80%
for our
Customer Satisfaction Score

Note: The above figures only cover our Singapore operations

Product Quality

Our commitment to achieve cost efficiency, higher productivity, timely completion of projects as well as improve safety performance is demonstrated through the following:

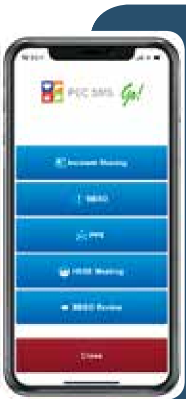
- **Quality Policy:** Outlines our commitment to providing quality and reliable products and services for our customers. Our Quality Management Program includes quality improvement training for employees, effective process control and conducting periodic system assessments.
- **OHSEQS Management System:** Covers all projects and maintenance works undertaken by PEC. OHSEQS goals and objectives are agreed upon with the customer at the commencement of each project. The project execution plan also includes a quality assurance plan which details the site organisation structure, the duties and responsibilities of each officer, the control measures, the general execution procedures and method statements to be adopted by the project team. We also maintain a list of approved suppliers and sub-contractors for our projects and regularly evaluate their performance. Nominated auditors conduct regular audits in accordance with the OHSEQS audit schedule. Any shortcomings uncovered are rectified in accordance to the quality plan prescribed by the OHSEQS. The quality team also conducts site visits periodically during the course of the project to ensure that work is carried out according to our OHSEQS procedures and all OHSEQS related issues are adequately addressed.

Cost Effectiveness

To achieve cost efficiency, we have in place an Executive Information System (EIS) – an integrated information system developed in-house to provide integration and functionality for our operations. The enterprise collaborative resource management solution enables us to monitor the physical aspects of our operations, such as manpower numbers, equipment usage and material purchases.

Using Technology

Innovation is one of the core aspects of our strategy. We have made significant investment in Information Technology (IT) to improve productivity, quality and project execution.



SMSGo: Digital Application to Strengthen Safety Standards

In FY2019, we launched a new mobile application to increase efficiency in our HSSE operations. SMSGo is a collective effort by our IT and Safety departments which allows employees across the organisation to complete the following tasks digitally:

- Incident reporting
- Record and review behavioural-based safety observations (BBSOs)
- Request Personal Protective Equipment (PPE)
- Arrange HSSE meetings and record attendance

The app also allowed us to reduce paperwork required for administrative matters. SMSGo is currently being rolled out across our operating sites and we continue to make enhancements to its functions and user experience.

Data Protection and Cybersecurity

Our approach to cybersecurity is to create an effective defence from cyber attacks where the users, processes and technology complement one another. To manage risks, we have implemented various Data Integrity and Confidentiality measures, as well as effective cybersecurity measures with multiple layers of protection spread across our computers, networks, programs and data. This includes a Disaster Recovery Plan – Backup and Restoration, strong and lock password control, System Access Request (ACL), Right Management Services and Encrypted Storage Device.

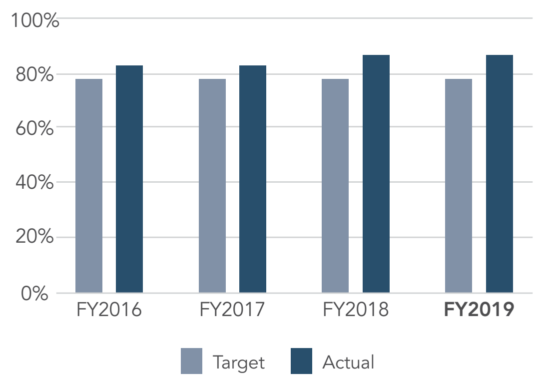
We have put in place security protection for four main entities:

1) End point devices including computers, routers, servers and laptop
2) Networks
3) Clouds
4) Identity

The technology used to protect these entities include next generation firewalls, advance threat analytics, malware protection, antivirus software, multi-factor authentication and email security solutions.

Customer Satisfaction Scores

Through our efforts to put the customer first, we have continued to exceed our targets for our Customer Satisfaction Scores over the past few years. These scores are acquired by sending feedback forms after every project for customers to evaluate our work in terms of management, quality and safety, health and environment. We regularly monitor our performance and targets.



PEOPLE

In order to achieve our vision of being a leading service provider and preferred business partner for project works and maintenance services, we have invested heavily in building a strong team at all levels – from our employees at headquarters to workers deployed at various worksites. We encourage our employees to be their best, cultivating a workplace based on trust, integrity, teamwork, innovation and creativity. At the same time, we aspire to build a caring environment that values people, upholding the highest standards in employee safety and well-being.

We employed 5,911 employees in FY2019, including fixed-term contract foreign workers who form 75% of our full-time workforce. Our Singapore operations account for 74% of our headcount, while UAE and China constituted the next largest headcount, with around 9% of our employees each. Many nationalities from Asia and the Middle East are represented at our workplace, and we pride ourselves in successfully building a work environment which respects and celebrates the cultural differences of our employees.

Key Performance Highlights

50%
of our workers have more than 1 certified skill

$978
spent on average per employee on learning and development

46
hours of training received per employee on average

$5.1 mil
spent on training and development, a 14% increase from FY2018

>96%
satisfaction score in our biennial Employee Satisfaction Survey for the past three years

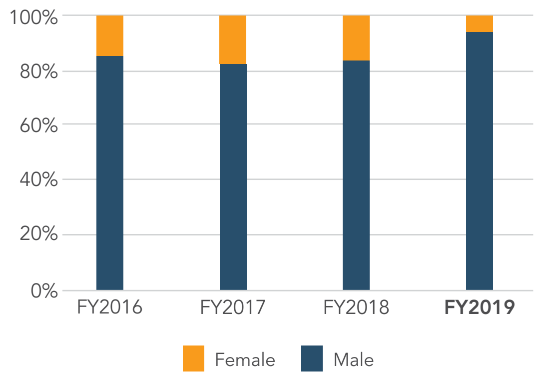
Targets

Maintain at least
80%
employee satisfaction in our biennial Employee Satisfaction Survey

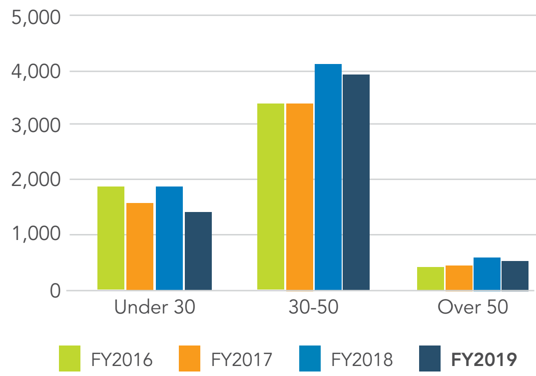
Maintain
zero
incidents of non-compliance relating to discrimination, forced labour, child labour or freedom of association

Profile of Our Workers

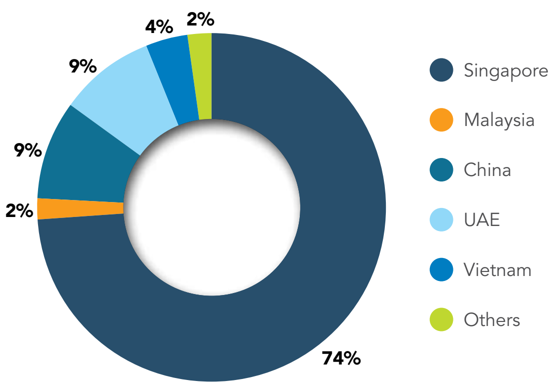
Employees by Gender
(excluding tradesmen)



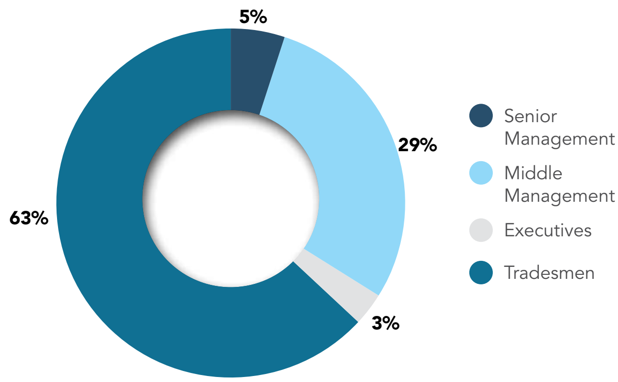
Employees by Age Group



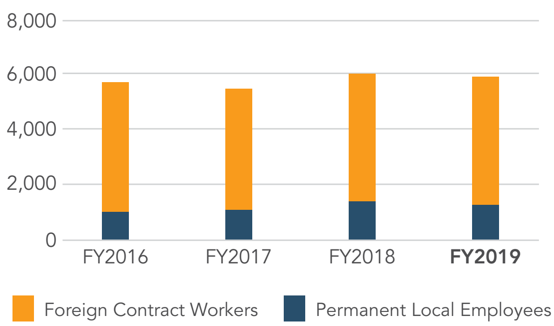
Employees by Country



Employees by Employment Category



Employees by Employment Type

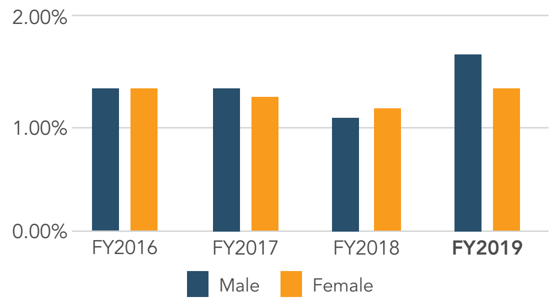


New Hires

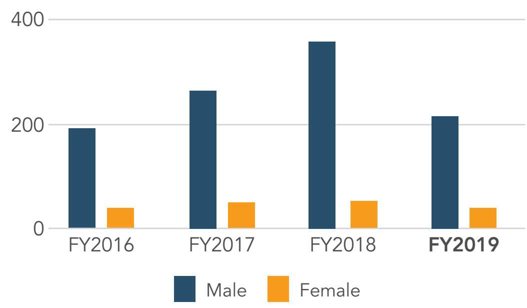
Our Human Resources policy requires merit-based hiring on the basis of relevant knowledge and skills, and the ability to perform the job regardless of race, religion, age, gender or marital status. To attract the best talent, we conduct frequent roadshows and attend career fairs in target countries such as Singapore, Malaysia and China.

In FY2019, we hired 229 employees, 56% of whom were hired in Singapore. The other two countries with significant hiring were UAE (13%) and Vietnam (11%).

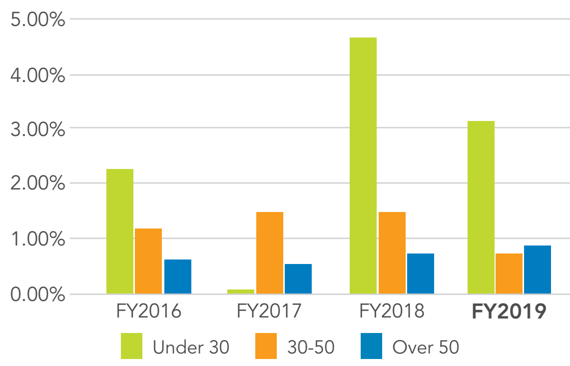
New Hire Rate by Gender



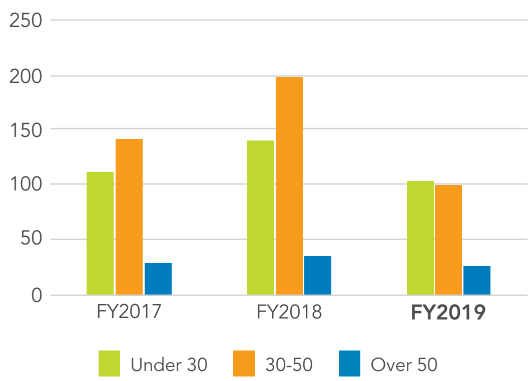
Total Number of New Hires by Gender



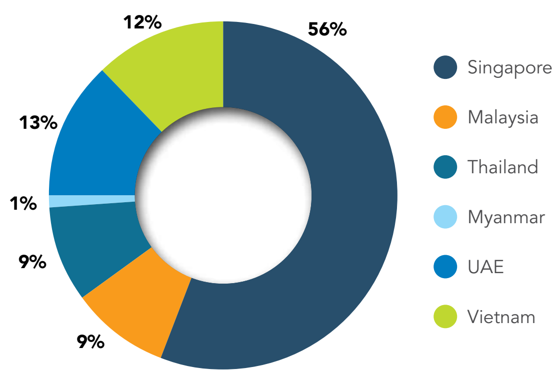
New Hire Rate by Age Group



Total Number of New Hires by Age Group



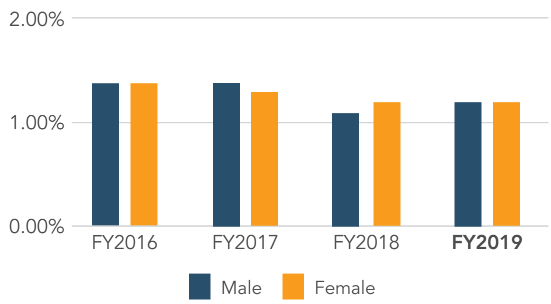
Total Number of New Hires by Country



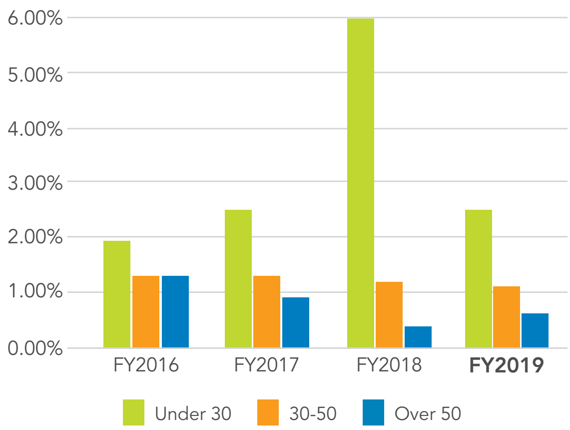
Note:
Figures provided in our Sustainability Report for FY2018 were different as we previously included short-term contract workers in our calculations

Employee Turnover

Employee Turnover Rate by Gender



Employee Turnover Rate by Age Group



Performance Management

Under our Human Resources policy, it is important for us to have a fair assessment of employee performance. Managers and supervisors also engage in ongoing performance discussions with their team members to provide useful feedback and coaching.

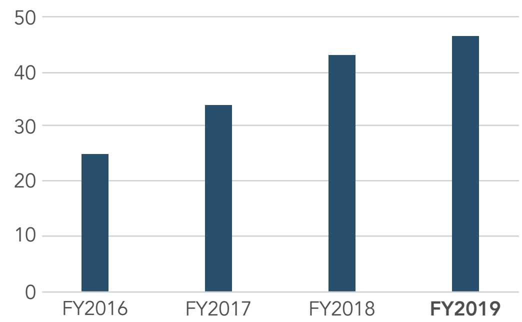
Learning & Development

Our Learning and Development Policy, developed in accordance with the ISO29990 standard[2], is designed to ensure our employees are able to deliver the highest quality of work for customers, while being in a safe, nurturing and communal environment where they take pride in their work. Our Learning and Development Department (LND) developed a learning journey that begins the day employees start work in the company. In FY2019, we spent an average of $978 per employee on learning and development for employees across the company.

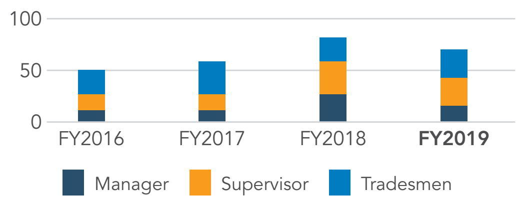
Average Training Hours Per Employee

Overall, our employees received an average of 46 learning hours each, surpassing our target of 40 hours per employee. It is also a figure that is steadily increasing each year.

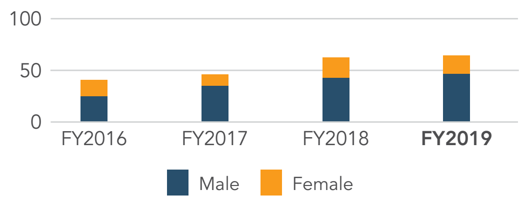
Average Hours of Training
(Per Employee Per Year)



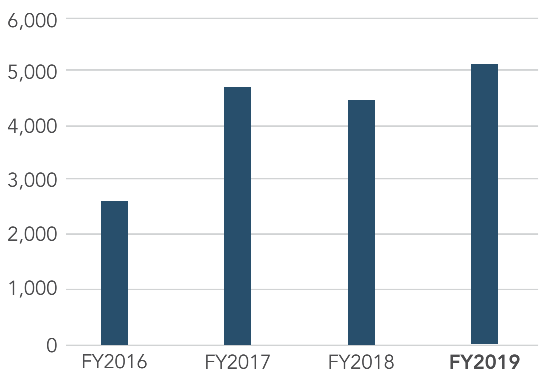
Average Hours of Training by Employee Category
(Per Employee Per Year)



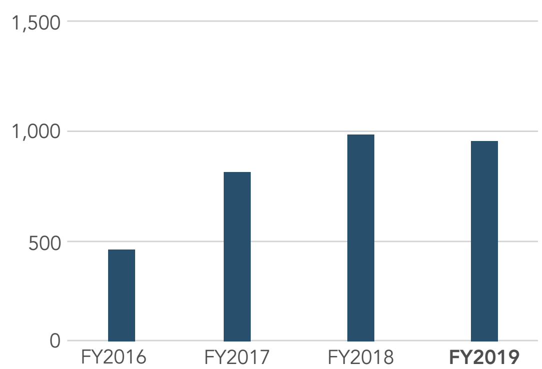
Employee Training by Gender
(Per Employee Per Year)



Total Training Expenditure
(S$'000)



Average Training Expenditure Per Employee
(S$)



2 ISO29990 specifies requirements for providers of learning services in non-formal education and training

Training Initiatives

Our training initiatives for employees are focused on building a skilled talent pool committed to safety, innovation, creativity and information technology. Each site/department develops their own Annual Learning Plan which includes various training courses which the employees will attend for the year. To ensure that we have a steady pipeline of talent, we also focus on succession planning and enable senior management to identify and mentor junior employees.

Employees are given opportunities to benefit from the following:

- **Continuous Learning:** Receiving incentives when they achieve further academic qualifications during their employment at PEC.
- **Professional Development Courses:** Applying for sponsorship to upgrade themselves through self-study or pursuit of higher academic learning programmes.
- **In-house training programmes, seminars, workshops** and other courses: Attending additional courses for their professional development.

New Training Initiatives Launched in FY2018-19

The **Employee Development Programme** brings overseas employees to Singapore for training before they are deployed back in their home countries. This will ensure we uphold consistency and quality in work ethic and standards across the Group. In FY2018, we brought our first batch of 10 Vietnamese engineers to Singapore for a 9-months, full-time, skills and leadership training on shutdown maintenance.

We also launched the **Supervisor Training Programme**, a new 5-day course on leadership and negotiation skills for our managers and senior managers. This program equips them to confidently explore all the essential negotiating variables and avoid potential deadlocks. Additionally, the course enables them to lead team leaders to develop business strategies and governance management.

SPECIALISED TRAINING

On-boarding

Workers start by attending a PEC Orientation Program and work-needs training programme to learn specific skills such as general fitting, process pipe fitting and welding, taught at the PEC Training Centre in a work-like environment. After fulfilling the required learning hours for each skill set, they take a certification test conducted by training institutions in Singapore. Workers will then attend a site induction programme and on-the-job training before starting work as a confirmed worker.

Certified On-the-Job Training Centre (COJTC) Distinguished Partner Award by the Institute of Technical Education (ITE)

PEC received recognition for our structured OJT system in areas such as general fitting, thermal insulation and bundle pulling and our ongoing dedication to best practices in workplace learning.

Continuous Learning:

a) **Skills training:** Under our Multi-Skill Incentive Programme, workers receive an incentive to take up additional certification courses in 13 types of technical skills in engineering and construction, from rotating equipment fitting to electrical works and thermal insulation. This ensures our team is equipped with multiple skills sets to handle diverse tasks wherever they are deployed. At present, more than 90% of our workers have at least one skills certification. PEC's Training Centre has also been approved by the Institute of Technical Education (ITE), SkillsFuture Singapore and Singapore Accreditation Council (SAC), to conduct and certify training on various skill-sets for the process industry, and workers from other companies also attend training conducted by us.

b) **Safety training:** We provide ongoing training on a wide range of safety topics to our workers. For more information on this, please refer to page 30 in the report.

Employee Engagement

We believe that employee satisfaction is key to improving performance and productivity. Our approach is to foster a culture where there are strong relationships between leaders and employees, for example between Site-In-Charge (SIC) leaders and workers, ensuring they maintain close and honest two-way communication.

We conduct an Employee Satisfaction Survey once every two years, seeking feedback on a range of issues including teamwork, welfare, work environment and leadership.

In the past few years, our overall satisfaction score has ranked consistently above 90%:

Indicator	2013	2014	2017	**2019**
Overall score	93.4%	94.6%	96.0%	**95.6%**
Job	93.3%	93.4%	96.0%	**94.0%**
Teamwork	96.1%	97.3%	98.0%	**98.4%**
Welfare and Work Environment	91.1%	93.2%	96.0%	**94.0%**
Leadership	94.5%	95.6%	97.0%	**96.0%**

Human Rights

PEC is committed to human rights principles on non-discrimination, forced labour and child labour. We prohibit discrimination, forced labour and child labour in all forms across all our offices.

There were no substantiated incidents of non-compliance relating to discrimination, forced labour, child labour or freedom of association in the reported period.

Employee Welfare

To promote a culture of openness and camaraderie, we organise frequent social events which all our employees are invited to attend. As PEC has a diverse work environment with people of different religions and cultures, we also place an emphasis on celebrating festivals together.

Various celebrations held with employees throughout the year, including Christmas parties and Chinese New Year celebrations

For more information on our Workplace Health Promotion (WHP) activities to promote work life balance, see page 31 of the report.

We also focus on the welfare of our foreign contract workers, who represent two-thirds of our workforce. We ensure that workers are housed in dormitories which meet strict requirements by Singapore's Ministry of Manpower (MOM), with adequate amenities, services and recreational facilities. Transport is provided to workers to and from their work sites. Workers can also travel freely after work hours, and amenities such as supermarkets, remittance services, barbers and small shops are located within the dormitory's compound for their convenience. These private dormitories also organise frequent sporting tournaments, social outings and classes which PEC workers are free to participate in.

Amenities at worker dormitories include a dentist and sporting facilities such as a gym and table soccer

Various social and sporting activities attended by our workers throughout the year

Foreign Worker Dormitory Inspections

Every month, we conduct inspections at foreign worker dormitories to ensure the living conditions of our workers pass PEC's standards of cleanliness, hygiene and safety, as well as to ensure that furniture and kitchen facilities, are in good working condition. Follow-up action is taken to correct any lapses found during inspection. This is also an opportunity for workers to bring up any concerns they might have. Through these monthly inspections, we aim to visit every dormitory unit at least once by the end of each financial year.

SUSTAINABILITY REPORT

OCCUPATIONAL HEALTH & SAFETY

At PEC, we recognise that project works and maintenance services presents a level of risk and we make it our priority to provide a healthy, safe and secure workplace for all our employees. In line with our Health, Safety, Security & Environment (HSSE) Policy, we implement a robust system of HSSE standards and best practices to maintain a zero-accident workplace.

Key Performance Highlights

Zero
fatalities

0.05
Lost Time Incident Rate (LTIR)

11
Workplace Safety and Health (WSH) Awards, from Singapore Workplace Safety and Health Council

OHSAS 18001
certified since 2002

27.2
hours of safety training per employee

Targets

Achieve
Zero
Lost Time Incident Rate (LTIR)

Assessing Risks

Our comprehensive HSSE Management System, applied to all workers operating within our sites, is based on internationally recognised standards such as the OHSAS 18001. For all routine and non-routine jobs, we apply a four-stage risk assessment process which includes preparation, risk assessment, implementation and review, and record keeping. To ensure that the risk assessments processes are carried out effectively, subject matter experts and trained HSSE personnel are included as part of the risk assessment team. Results from the risk assessment process will be evaluated for system improvements.

Communication and Training

We implement the following initiatives to ensure HSSE standards are well-communicated to our employees:

- Set up of a **Site HSSE Committee** at each site, consisting of worker's representatives. Monthly meetings are held to discuss HSSE matters and give worker representatives an opportunity to provide feedback to management on work conditions, risks and misconduct.

- **Communication of HSSE-related updates** through channels such as campaigns, intranet and notice boards. A buddy system also allows experienced workers to act as translators and guide newcomers on what to do.

- **Ongoing training on health and safety topics** including fire watch, first aider, PPE, supervising safety and other specific tasks. In FY2019, we offered training on 246 workplace safety-related subjects. Our employees received an average of 27.2 hours of safety training during the year.

Reporting of Incidents

All our workers have the right to intervene and stop work when an unsafe situation is encountered, free of reprisal. This is communicated during toolbox meetings. In the event of an incident, a team comprising the affected team and HSSE personnel will be formed. The injured personnel or witness will be interviewed, a root cause analysis will be performed and the relevant risk assessment teams will review and revise the risk assessment as needed. The affected work will only continue after it has been proven safe to do so.

A mobile application called PEC SMSGo was developed in FY2019 to increase efficiency related to reporting health and safety matters. More information on page 22.

Health and Well-being

While the necessary steps can be taken to ensure that the risks of injuries and accidents are minimised, it is still essential that our employees have access to medical services when needed. Pre-employment medical checks as well as periodic occupational health monitoring are provided to our workers based on local regulations. In the event of an injury, our workers will have access to first aiders on site or taken directly to the nearest hospital.

PECare Initiative

To provide better care for the mental well-being of our employees, we also implemented the PECare initiative in 2016. Developed in collaboration with professional psychologists, PECare is an open-door programme available to all our employees in Singapore who wish to discuss issues affecting their own or their peers' mental well-being. The programme is managed by a committee consisting of a Chairman (HR Director) and supported by 'champions/coaches' who are employee volunteers trained by professional counsellors. The names of these champions/coaches are displayed on notice boards for all workers to contact if necessary. Cases are shared anonymously with the champions/coaches and more complicated cases are referred to professional counsellors.

Workplace Health Promotion (WHP) Programme

To promote work-life balance and provide opportunities for team bonding, we also organise social activities under our Workplace Health Promotion (WHP) programmes.

WHP programmes throughout the year include activities such as rock-climbing, kayaking as well as health screening and talks

Health and Safety Performance

Our commitment to health and safety not only protects lives but also helps improve productivity and reduce operating costs. PEC has been OHSAS 18001 certified since 2002.

Awards

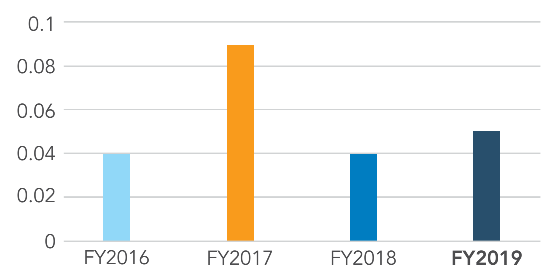
Our exceptional safety performance has won us several awards and recognition over the years from the Workplace Safety and Health (WSH) Council in Singapore.

In FY2019, PEC Group won 11 workplace safety and health awards from the WSH Council. This includes one Gold and three Silver Awards for Workplace Safety & Health Performance. For a list of awards, kindly refer to our website.

Number of Fatalities

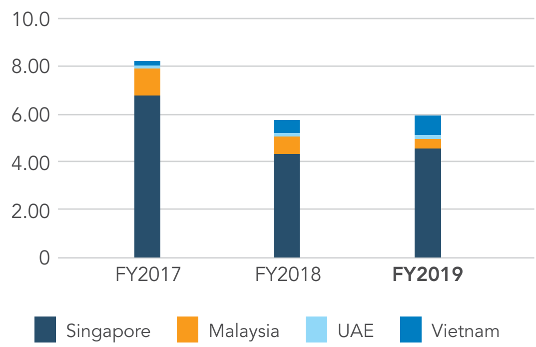
FY2016	FY2017	FY2018	**FY2019**
0	0	0	**0**

Lost Time Incident Rate
(LTIR)



Note:
Data covers all employees operating on our worksites for at least 2 days.

Absentee Rate by Country



Note:
Data is currently not available for operations in Thailand, China and Myanmar

ENVIRONMENTAL MANAGEMENT

PEC is committed to protecting the environment through resource conservation and pollution prevention. Our actions are guided by our HSSE Policy and we comply with all applicable regulations and requirements.

Performance Highlights

4,471
total energy intensity in gigajoules/million man-hours worked

336
total GHG emissions intensity in tonnes of CO2e/million man-hours worked

Zero
significant breaches of environmental regulations and spills

Note: The figures for this chapter only cover our Singapore operations.

Targets

Continue to monitor our energy consumption and adopt more energy efficient technologies and practices, where feasible

Continue to monitor our greenhouse gas emissions and identify opportunities to reduce our carbon footprint

Energy and Emissions

We use electricity for lighting, air-conditioning in our offices and fabrication facilities. Diesel is consumed by our fleet of vehicles used for transport between the facilities and the project sites as well as to power some of our on-site equipment.

The following programmes have enabled us to reduce our energy consumption:

- **Electrical Energy Management Initiative:** One of the ongoing programmes under this initiative is the replacement of fluorescent bulbs with LED bulbs within our offices and facilities.
- **Switch-off Practice:** Turning off the lights for an hour over lunch across all PEC sites.
- **Installing lighting motion sensors** within our office staircases and communicating to employees on setting the **air conditioner temperature to 24°C** (implemented in FY2019).

We monitor our carbon emissions monthly using a dashboard which captures our diesel and electricity consumption. OHSEQS management review meetings, conducted by our QA department and attended by all our directors and Site-in-Charge, is held to evaluate performance. Going forward, we are planning to use the trend data gathered to set carbon emissions limits.

Environmental Awareness Programmes

In FY2018, we held a drawing competition to raise awareness among our employees on practices to reduce our carbon footprint. Over 60 drawings were submitted. The winners were awarded with prize money and their drawings were put up on notice boards around our facilities.

Artwork by Das Gopinath, first prize winner who walked away with S$200 in prize money

Water Conservation

We use municipal water at our office buildings, dormitories, and facilities. To conserve water at our dormitories, we implemented an awareness programme which included the display of signs and posters on good practices. We also undertake regular maintenance of plumbing to prevent water leakage. Water saving fittings have also been installed in toilets and washrooms to conserve water.

Managing Waste

Waste generated through our operations include office paper, newspaper, wood crates, wood pallets, carton boxes, plastic bottles, food waste, metal cans and metal scraps.

We minimise our waste through the following programmes:

- **Reduce, Reuse, Recycle (3R) Programme:** Launched in FY2017 to improve resource-use efficiency and reduce wastage, which also cuts down the waste disposal fee at our Benoi facility in Singapore. We are now implementing this programme at all of PEC premises. Our teams carried out a waste audit to identify waste that can be recycled. Recycling bins have since been placed in various areas. Emails alerts, posters, HSSE bulletins, HSSE meetings and display notices are used to improve employee awareness. Wooden pallets are reused where possible.

- **Going Paperless:** In our effort to go paperless, we have progressively digitalised some of our administrative processes. The next step would be to allow direct input to the portal which saves time and administrative costs.

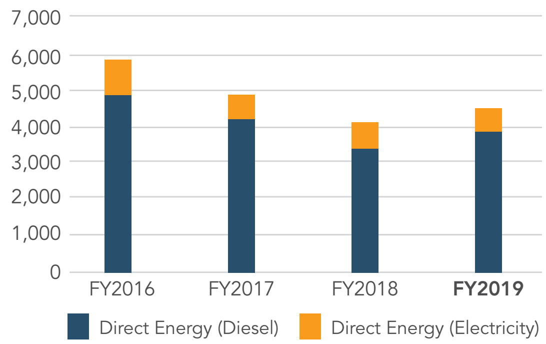
Hazardous waste generated at our facilities include waste oil, which are stored in drums and disposed of by a licensed waste collector.

PEC is committed to the prevention and elimination of spills or uncontrolled discharge from our operations. We have conducted a campaign in the same year to raise awareness on uncontrolled discharge. The campaign was launched at the corporate level and disseminated to sites including subsidiaries. Materials were also circulated company-wide. To ensure that workers can understand the campaign message, we use a variety of communication methods such as pictographs, videos and skits.

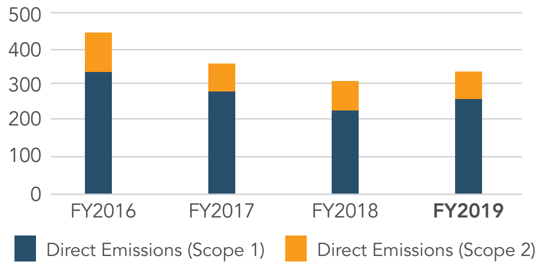
Environmental Performance

There were no significant breaches of environmental regulations and spills during the reporting period.

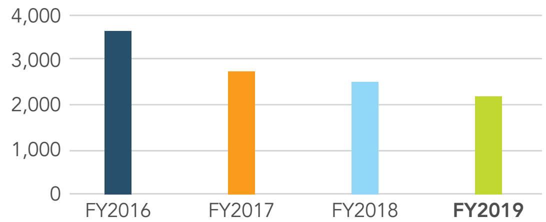
Energy Intensity
(gigajoules per million man-hours)



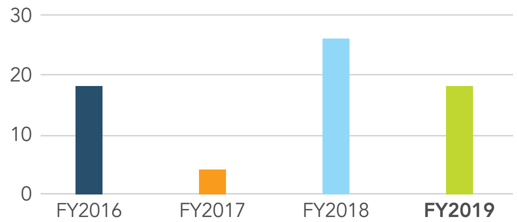
Carbon Emissions Intensity
(tCO2e per million man-hours)



Water Consumption Intensity
(m^3 per million man-hours)



Non-Hazardous Waste Generated Intensity
(tonnes per million man-hours)



1. Electricity consumption data is obtained through utility bills
2. Fuel data is obtained through receipts of fuel purchase
3. Electricity emission factor is based on Singapore's Grid Emission factor
4. Only carbon dioxide is considered in our calculations. Scope 1 includes emission sources where the organisation has operational control. Scope 2 includes direct emissions related to purchased energy
5. Water consumption is measured through meter readings

COMMUNITY

One of our visions for the PEC workforce is to promote a caring environment that values people, community and society. Employee volunteerism is a big part of what we do to promote this culture at PEC. Our approach to community investment is guided by our Corporate Social Responsibility (CSR) policy. Our CSR Taskforce, made up of employees from different departments, is responsible for implementing our CSR programmes for the company. This includes the selection of beneficiary organisations, recommendations on activities and tracking employee volunteer hours.

We encourage everyone in PEC from management to workers to volunteer together. We also collect feedback after each activity to ensure the initiatives remain well-planned, enjoyable and meaningful for both our employees and the beneficiaries.

Key Performance Highlights

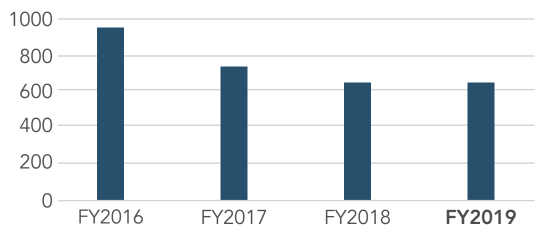
629 hours
of volunteering contributed by our employees

Targets

At least
550 hours
of volunteering contributed by our employees

Note: The figures for this chapter only cover our Singapore operations.

Employee Volunteering Hours



Organisations supported in FY2019

We have been supporting the following organisations for the past three years, focusing on support for seniors, children and the environment:

THE ORGANISATION OF SENIOR VOLUNTEERS RSVP SINGAPORE · compassion fund · Children's Society · NATIONAL PARKS

CSR Programmes in FY2019:

9 Sept 2018 – PEC participated in Walk for Our Children, an annual fundraising event by Singapore Children's Society. This year, more than 30 PEC volunteers joined the carnival stalls and walked at Bishan-Ang Mo Kio Park, Ficus Green to raise funds for children in need.

30 Mar 2019 – 42 volunteers took part in the annual Coastal Clean-up cum Cycling activity. The activity served to educate our community and encourage positive change to reduce debris from the shorelines.

CSR Programmes in FY2019:

25 Aug 2018 – The Plant-A-Tree Programme allowed PEC to play a part for the environment, where our volunteers planted trees in collaboration with the Garden City Fund.

1 Dec 2018 – Our Chairman, Edna Ko, joining colleagues at PEC to take part in the Share-A- Gift Program. We took the Children from Compassion Fund for an outing to Singapore Discovery Centre and shared a gift during the Christmas season.

15 Dec 2018 – Goodie Bags Distribution for needy families from Compassion Fund Singapore.

13 Apr 2019 – PEC contributed funds and volunteered support for about three-hours for the Easter Egg Decoration Workshop, in collaboration with Singapore Children Society and RSVP.

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FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

PEC Ltd. (the "**Company**") is committed to achieving and maintaining a high standard of corporate governance within the Company and its subsidiaries (the "**Group**") in complying with the Code of Corporate Governance 2012 (the "**Code**") which forms part of the continuing obligations of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual.

The Group firmly believes that good corporate governance establishes and cultivates a legal and ethical environment that is essential to the sustainability of the Group's business and performance, which helps to preserve and enhance shareholders' interests.

This report sets out the Group's corporate governance practices that were in place throughout the financial year ended 30 June 2019 ("**FY2019**") with reference to the Code. Where there is any material deviation from any principles and guidelines of the Code, an explanation has been provided within this report.

This report should be read in totality, instead of being read separately under each principle of the Code. The Board noted the revised Code of Corporate Governance issued on 6 August 2018 ("**Revised Code**"), which is only effective from the Company's financial year commencing 1 July 2019, and will endeavour to comply with the Revised Code once it is effective.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

*Role of the Board of Directors (the "**Board**")*

The Board is collectively responsible for the stewardship of the Group and is primarily responsible for the preservation and enhancement of long-term value and returns for the shareholders. The Board oversees the management of the business and affairs of the Group, provides overall strategy and directions, monitors the performance of its Management team and reviews the financial results of the Group. In addition, the Board is directly responsible for decision making in respect of the following matters:

- approve the business strategies including significant acquisitions and disposals of subsidiaries or assets and liabilities;
- approve the annual budgets, major funding proposals, significant capital expenditures and investment and divestment proposals;
- approve the release of the Group's quarterly and full year financial results and interested person transactions;
- oversee the processes for risk management, financial reporting and compliance and evaluate the adequacy of internal controls, as may be recommended by the Audit and Risk Management Committee ("**ARMC**");
- review the performance of the Management, approve the nominees to the Board and the appointment of key management personnel, as may be recommended by the Nominating Committee ("**NC**");
- review and endorse the framework of remuneration for the Board and key management personnel, as may be recommended by the Remuneration Committee ("**RC**");
- review and endorse corporate policies in keeping with good corporate governance and business practices; and
- consider sustainability issues, e.g. environmental, social and governance factors, as part of the strategic formulation.

CORPORATE GOVERNANCE REPORT

The Board provides shareholders with balanced and comprehensible assessments of the Group's performance and prospects on a quarterly basis.

To effectively discharge its responsibilities in the interest of the Group, the Board has established and delegated certain functions to its various Board Committees namely, the ARMC, the NC and the RC. These Board Committees function within their respective terms of reference ("**TORs**") and operating procedures which are reviewed on a regular basis.

All Directors exercise due diligence and independent judgment in making decisions objectively in the best interest of the Group. All the Board Committees are actively engaged and contribute in ensuring good corporate governance in the Company and within the Group.

The Board oversees the Group's sustainability reporting framework by monitoring the environment, social and governance issues that impact the Group's sustainability of its business. The Company's sustainability report for FY2019 can be found under pages 14 to 38 of the Annual Report.

Board Meetings and Meetings of Board Committees

The Board meets on a quarterly basis and where warranted by particular circumstances. Board meetings dates are normally fixed by the Directors well in advance. Meetings of the Board and Board Committees meetings may be conducted by way of telephone and video conferencing if necessary.

The number of meetings held by the Board and Board Committees, and attendance thereat during FY2019 are as follows:

Directors	**Board**		**ARMC**		**NC**		**RC**	
	Number	**Attended**	**Number**	**Attended**	**Number**	**Attended**	**Number**	**Attended**
Edna Ko Poh Thim	4	4	NA	NA	NA	NA	NA	NA
Robert Dompeling	4	4	NA	NA	NA	NA	NA	NA
Wong Peng	4	4	NA	NA	NA	NA	NA	NA
Dr Foo Fatt Kah	4	4	4	4	2	2	1	1
David Wong Cheong Fook	4	4	4	4	2	2	1	1
Tan Whei Mien, Joy	4	4	4	4	2	2	1	1

Board approval

The Company has adopted internal guidelines setting forth matters that require the Board's approval. During the year, the Board has met to review and approve amongst other matters, the quarterly and full year results announcements prior to their release to the SGX-ST, the Group's corporate strategies, major investments, review of the Group's financial performance, interested person transactions, recommendation of dividends, the approval of Directors' Statement, etc.

Training

The Board continues to examine its size and, with a view to determining the impact of its number upon effectiveness, decides on what it considers an appropriate size for itself. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience.

All Directors possess years of corporate experience and are familiar with their duties and responsibilities as Directors. Upon the appointment of a Director, he will receive a formal letter setting out his/her key responsibilities and obligations as a member of the Board. In addition, newly appointed Directors are briefed by the Executive Chairman and/or the Group Chief Executive Officer and/or top management of the Company on the business activities of the Group and its strategic directions, as well as their duties as Directors. The Directors are also given briefings by professionals at Board meetings or at separate sessions on regulatory changes and updates which have an important impact on the Company and the Directors' obligations to the Company.

CORPORATE GOVERNANCE REPORT

The Company welcomes Directors to seek explanations or clarifications from and/or request for informal discussions with the Management on any aspect of the Group's operations or business issues.

The Company is responsible for arranging and funding the training for new and existing Directors. Directors are provided with updates in relevant areas such as new laws and regulations, Directors' duties and responsibilities, corporate governance, changes in financial reporting standards and issues which have a direct impact on financial statements. The scope of such continuous updates also extends to include overview and developments in industry trends, governance practices and regulatory requirements pertaining to the business. Where necessary, a first-time Director who has no prior experience as a Director of a listed company will be provided with training in areas such as accounting, legal and industry-specific knowledge as appropriate.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises six (6) Directors, of whom two (2) are Executive Directors, three (3) are Non-Executive and Independent Directors, and one (1) is a Non-Executive and Non-Independent Director. The list of Directors is as follows:

<u>Executive Directors</u>

Edna Ko Poh Thim	(Executive Chairman)
Robert Dompeling	(Group Chief Executive Officer)

<u>Non-Executive Directors</u>

Dr Foo Fatt Kah	(Lead Independent Director)
David Wong Cheong Fook	(Independent Director)
Tan Whei Mien, Joy	(Independent Director)
Wong Peng	(Non-Independent Director)

The size and composition of the Board are reviewed on an annual basis by the NC to ensure that the size of the Board is optimal to facilitate effective deliberation and decision making. The NC is of the view that the current Board size of six (6) Directors, of whom two (2) are Executive Directors, three (3) are Independent Directors and one (1) is a Non-Executive and Non-Independent Director, is appropriate and effective, taking into account the nature and scope of the Company's operations and the requirements of its business.

As a group, the current Board comprises Directors with diverse expertise and core competencies in areas such as accounting, legal, business and management, finance and risk management. The Directors' objective judgement on corporate affairs and their collective experience and in-depth knowledge allow for the effective exchange of ideas and perspectives.

Independence of Directors

The NC reviews the independence of each Director on an annual basis based on the Code's definition of what constitutes an Independent Director. The NC is of the view that the three (3) Independent Directors (representing half of the Board) are independent and that there is a strong and independent element on the Board, which enables the Board to exercise objective judgement on corporate matters independently, in particular, from the Management. No individual or small group of individuals dominate the Board's decision making process.

Upon taking into account the NC's view, the Board considers all the Independent Directors of the Company to be independent in character and judgment and that there are no relationships which are likely to affect or could appear to affect the Directors' judgement.

CORPORATE GOVERNANCE REPORT

The Code requires the independence of any Director who has served on the Board for more than nine years to be rigorously reviewed. In respect of Dr Foo Fatt Kah, who has served on the Board for more than nine years from the date of his first appointment on 25 June 2009, the NC has reviewed, amongst others, his attendance and contributions at meetings of the Board and Board Committees, and has assessed him to be independent. Taking into account the views of the NC, the Board has concurred that Dr Foo Fatt Kah continues to demonstrate strong independence in character and judgment in the discharge of his responsibilities as a Director of the Company and provided valuable contributions to the Board through his integrity, objectivity and professionalism, notwithstanding his years of service. Dr Foo Fatt Kah has continued to express his individual viewpoints, to debate issues and to objectively scrutinise and challenge the Management, as well as to seek clarification and amplification where required including through direct access to the Group's employees. The Board as a whole has also considered and determined that Dr Foo Fatt Kah, having over time developed significant insights into the Group's business and operations and gained an in-depth understanding of the business/operating environment of the Group, continues to provide the Company and the Board with much needed experience and knowledge of the industry. From the declaration of independence furnished by him, Dr Foo Fatt Kah has no association with the Management that could compromise his independence. The NC and the Board have concluded that Dr Foo Fatt Kah should properly continue to be considered as an Independent Director. Dr Foo Fatt Kah has abstained from participating in the deliberation and decision on his independence.

The Independent Directors communicate regularly to discuss issues such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Where necessary, the Company coordinates informal meetings for Independent Directors without the presence of the Management to review matters such as Board effectiveness and Management's performance.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman of the Board and the Group Chief Executive Officer ("**CEO**") are separate individuals. The Chairman of the Board is Ms Edna Ko Poh Thim who is the spouse of Mr Robert Dompeling, the Group CEO of the Company. As the Executive Chairman, Ms Ko is responsible, among others, for the overall business strategy and development of the Group, the exercise of control over the quantity and quality aspects, as well as the timely flow of information between the Management and the Board. Ms Ko also sets the agenda for Board meetings and is actively involved in ensuring and promoting compliance with the Group's corporate governance guidelines.

Ms Ko is assisted by the Group CEO, Mr Robert Dompeling, who with the Management comprising each subsidiary's general managers and key senior managers, are responsible for the operational, commercial and financial management as well as charting the business development and expansion of the Group.

There is also a balance of power and authority in view that the Board Committees are chaired by the Independent Directors. The Board has appointed Dr Foo Fatt Kah as the Lead Independent Director to be available to shareholders where they have concerns, and to coordinate any meetings among the Independent Directors.

All major decisions made by the Executive Chairman and Group CEO are reviewed by the ARMC. The NC reviews their performance and appointment periodically, whilst the RC reviews their remuneration packages periodically. As such, the Board believes that there are adequate safeguards in place to ensure that no one individual represents a considerable concentration of power. The separation of roles and clear division of responsibilities between the Executive Chairman and the Group CEO ensures a balance of power and increased accountability.

CORPORATE GOVERNANCE REPORT

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises entirely Non-Executive and Independent Directors:

Tan Whei Mien, Joy (Chairman)
Dr Foo Fatt Kah
David Wong Cheong Fook

The primary functions of the NC in accordance with its TORs are as follows, amongst others:

- to establish procedures for and make recommendations to the Board on all selections, appointment or re-appointment of members of the Board and the Group CEO;
- to review on the independence of Directors in respect of the re-nomination of Directors who are retiring by rotation for re-election by shareholders;
- to decide whether a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly where the Director has multiple board representations, and setting up internal guidelines to address the competing time commitments;
- to review and determine the independence of each Director annually;
- to regularly review the Board structure, size, composition and balance, and make recommendations to the Board with regard to any adjustments that are deemed necessary and to review board succession plans;
- to establish procedures for evaluation of the Board's performance, and assess the effectiveness of the Board as a whole and the contribution by each individual Director to the effectiveness of the Board on an annual basis;
- to decide how the Board's, Board Committees' and Directors' performance are to be evaluated and to propose objective performance criteria for the Board's approval;
- to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps; and
- to ensure that all Board appointees undergo an appropriate induction programme.

For the year under review, the NC held two (2) meetings.

As a matter of corporate governance, the Directors submit themselves for re-nomination and re-election at regular intervals. Under the Company's Constitution, each Director shall retire from office at least once every three (3) years and a retiring Director shall be eligible for re-election. In reviewing and recommending to the Board on the re-nomination and re-election of existing Directors, the NC takes into consideration the Directors' competencies, commitments, contribution and performance at Board meetings, including attendance, preparedness, participation and candour.

Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution, in respect of the assessment of his/her own performance or re-nomination as a Director of the Company.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company and the Group, despite that some of the Directors have multiple board representations. After considering the NC's views, the Board determines that it is not necessary to set a maximum number of listed company board representations which any Director may hold.

CORPORATE GOVERNANCE REPORT

In its search and nomination process for new Directors, the NC has at its disposal, external search consultants, personal contacts and recommendations, to shortlist any potential suitable candidates.

Pursuant to the one-third rotation rule under Article 114 of the Company's Constitution, Ms Edna Ko Poh Thim and Mr David Wong Cheong Fook will retire at the forthcoming annual general meeting ("**AGM**"). Ms Edna Ko Poh Thim and Mr David Wong Cheong Fook have submitted themselves for re-appointment at the forthcoming AGM. The NC is satisfied that Ms Edna Ko Poh Thim and Mr David Wong Cheong Fook who are retiring in accordance under Article 114 of the Company's Constitution at the forthcoming AGM, are properly qualified for re-appointment by virtue of their skills, experience and their contribution of guidance and time to the Board's deliberations.

The Board has not appointed any alternate directors, as recommended under Guideline 4.5 of the Code.

Key information on the Directors is set out below:

Name of Directors	**Position**	**Date of first appointment as a Director**	**Date of last re-appointment as a Director**	**Present directorships or chairmanships in other listed companies**	**Directorships or chairmanships held over the preceding three years in other listed companies**	**Other principal commitments**	**Due for re-appointment at the AGM**
Edna Ko Poh Thim	Executive Chairman	8 February 1984	27 October 2016	None	None	None	Retirement by rotation (Article 114)
Robert Dompeling	Group Chief Executive Officer	1 July 2007	25 October 2018	None	None	None	Not Applicable.
Wong Peng	Non-Executive and Non-Independent Director	23 December 1988	27 October 2017	None	None	None	Not Applicable.
Dr Foo Fatt Kah	Lead Independent Director	25 June 2009	25 October 2018	Anchor Resources Limited Ayondo Ltd.	None	*Managing Director*, Luminor Capital Pte Ltd	Not Applicable.
David Wong Cheong Fook	Independent Director	8 January 2014	27 October 2016	United Engineers Limited	None	*Chairman*, Republic Polytechnic	Retirement by rotation (Article 114)
Tan Whei Mien, Joy	Independent Director	27 October 2017.	Nil	None	None	*Partner*, WongPartnership LLP *Director*, NTUC Income Co-operative Limited *Director*, Singapore Healthcare Services Pte Ltd	Not Applicable.

Note:
Details of Directors' credentials including working experience, academic and professional qualifications, shareholding in the Company and its related corporations and directorships can be found in the Board of Directors and the Directors' Statement sections of the Annual Report.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

The NC reviews the Board's performance evaluation criteria and proposes to the Board a set of objective performance criteria that allows for comparison with industry peers and address how long-term shareholder value is enhanced. Based on the recommendations of the NC, the Board has established processes for assessing the effectiveness of the Board as a whole, its Board Committees and the contribution by each individual Director to the effectiveness of the Board.

The performance criteria for the Board evaluation takes into account the size and composition of the Board and the Board Committees, the Board's access to information, Board processes, Board accountability, Board performance in relation to discharging its principal functions and fiduciary duties, communication with the Management and standards of conduct of the Directors.

In the course of the year, the NC had conducted the assessment via a questionnaire which is completed by each Director. The Directors' responses were then consolidated into a summary report which was discussed at the NC meeting with a view to implementing certain recommendations to further enhance the effectiveness of the Board. Each Director also completed a self-assessment form to assess each Director's contributions to the Board's effectiveness.

The Chairman would act on the results of the performance evaluation, and, in consultation with the NC, propose where appropriate, new members to be appointed to the Board or seek the resignation of Directors.

Access to Information

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To assist the Board in fulfilling its responsibilities, the Management provides the Board with a management report containing complete, adequate and timely information prior to the Board meetings. All Directors have separate and independent access to the Management, including the Company Secretary at all times.

The Company Secretary and/or his representative attends all scheduled meetings of the Company and prepares the minutes of meetings. He is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with.

The appointment and the removal of the Company Secretary are subject to the Board's approval.

Changes to regulations are closely monitored by the Management and where such changes have an important bearing on the Company or the Directors' disclosure obligations, the Directors are briefed during Board meetings.

The Directors and the Chairmen of the respective Board Committees, whether as a group or individually, are able to seek independent professional advice as and when necessary in furtherance of their duties, at the Company's expense. The appointment of such professional advisors is subject to approval by the Board.

CORPORATE GOVERNANCE REPORT

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises entirely Non-Executive and Independent Directors:

Dr Foo Fatt Kah (Chairman)
David Wong Cheong Fook
Tan Whei Mien, Joy

The members of the RC are equipped with many years of corporate experience and are knowledgeable in the field of executive compensation. The RC has access to expert professional advice on remuneration matters as and when necessary.

The responsibilities of the RC in accordance with its TORs include the following, amongst others:

- to review and recommend to the Board a framework of remuneration for the Directors, Group CEO;
- to determine specific remuneration packages for each Executive Director;
- to review the remuneration packages of all managerial staff that are related to any of the Directors or the Group CEO;
- to determine and review the remuneration packages and/or service contracts for each Director, Executive Chairman, Group CEO and key Executive Officers;
- to recommend to the Board for endorsement, the remuneration of Directors and Group CEO and any long-term incentive plan;
- to summarise and report to the Board the work performed by the RC members in carrying out their functions;
- to cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind; and
- to implement and administer the PEC Performance Share Plan.

The RC reviews the remuneration framework which covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, share-based incentives and awards, and benefits-in-kind. The RC also reviews the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

No Director is involved in determining his/her own remuneration.

For the year under review, the RC held one (1) meeting.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In determining remuneration packages, the RC takes into consideration the prevailing economic situation, the pay and employment conditions within the industry and in comparable companies. As part of its review, the RC ensures that the performance-related component of remuneration forms a significant portion of the total remuneration package of Executive Directors and is designed to align the Directors' interests with those of shareholders and link rewards to corporate and individual performance. The RC also reviews all matters concerning the remuneration of Non-Executive Directors to ensure that the remuneration commensurate with the contribution and responsibilities of such Directors. The Company submits the quantum of Directors' fees of each year to the shareholders for approval at each AGM.

Non-Executive Directors have no service contracts. The Executive Directors have service contracts and they do not receive Directors' fees for the year under review. In setting the remuneration packages of the Executive Directors, the Company takes into account the performance of the Group and that of the Executive Directors.

The Company adopted an employee share plan known as "PEC Performance Share Plan" (the "**Plan**") on 25 October 2013 as a long term incentive plan for Executive Directors and employees of the Group whose services are vital to the Group's well-being and success. It is administered by a committee consisting of all the Board Members. As at to-date, awards in respect of up to 23,354,017 shares have been granted under the Plan. Details of the Plan are set out in the Directors' Statement on pages 57 to 60.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The annual reviews of compensation are carried out by the RC to ensure that the remuneration of the Executive Directors and key management personnel is commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Group CEO (together with other key management personnel) is reviewed periodically by the RC and the Board.

The Independent Directors receive Directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent, as well as the responsibilities and obligations of the Directors. The Company recognises the need to pay competitive fees to attract, motivate and retain Directors without being excessive and thereby maximise shareholders' value. Directors' fees are recommended by the Board for approval at the Company's AGM.

Executive Directors do not receive Directors' fees but are remunerated as members of the Management. Their remuneration package comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. Service contracts for Executive Directors are for a fixed appointment period and do not contain onerous removal clauses.

The Company has an employee share plan in place.

CORPORATE GOVERNANCE REPORT

A breakdown of the remuneration of the Directors and the top 5 key management personnel (who are not also Directors or the Group CEO) for FY2019 is set out below:

Remuneration of the Directors

Remuneration band and names of Directors	Base/ fixed salary (1) %	Variable or performance-related income/ bonus %	Director's fee (2) %	Benefits in Kind %	Conditional award of performance shares (3) %	Total %
Above S$750,000 to S$1,000,000						
Edna Ko Poh Thim	25	72	1	2	–	100
Robert Dompeling	25	73	1	1	–	100
Below S$250,000						
Wong Peng	–	–	94	–	6	100
Dr Foo Fatt Kah	–	–	100	–	–	100
David Wong Cheong Fook	–	–	100	–	–	100
Tan Whei Mien, Joy	–	–	100	–	–	100

(1) These are under the service contracts. Under the service contracts, each of our Executive Directors is also entitled to a performance bonus (the "**Performance Bonus**") in respect of each financial year, which is calculated based on the consolidated profit before tax and extraordinary items ("**PBT**") (before deducting for such Performance Bonus).
(2) The Directors' fees are subject to the approval of the shareholders at the AGM.
(3) Conditional award of performance shares under the Plan.

Remuneration of top 5 key management personnel (who are not also Directors or the Group CEO)

Remuneration band and names of key management personnel (who are not also Directors or the Group CEO)	Base/fixed salary %	Variable or performance related income/bonus %	Benefits in Kind %	Conditional award of performance shares (1) %	Total %
Above S$250,000 to S$500,000					
Yeo Ker Soon	51	49	–	–	100%
Tan Meng Sai	50	50	–	–	100%
Tan Teck Seng	56	44	–	–	100%
Toh Boon Chuan	47	52	–	1	100%
Below S$250,000					
Goh Eng Mui	76	23	–	1	100%

(1) Conditional award of performance shares under the Plan.

CORPORATE GOVERNANCE REPORT

The aggregate of total remuneration paid to or accrued to the top five key management personnel (who are not Directors or the Group CEO) was $1,738,090 for FY2019.

There are no employees of the Group who are immediate family members of a Director or the Group CEO and whose remuneration exceeds S$50,000 during FY2019.

To preserve confidentiality on the remuneration policies of the Company, the Board is of the view that it is in the best interest of the Company not to fully disclose the exact details of the remuneration of each Director and key management personnel in the Annual Report.

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board endeavours to ensure that the annual audited financial statements and quarterly announcements of the Group's results present a balanced and understandable assessment of the Group's performance, position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financials and other price sensitive information are disseminated to shareholders through announcements via SGXNET.

The Board takes steps to ensure compliance with legislative and regulatory requirements.

The Management provides the Board with management accounts of the Group's performance, position and prospects on a regular basis, and as the Board may require from time to time, to enable the Board to make a balanced and informed assessment of the Company's position.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The ARMC has undertaken the role of overseeing the governance of risks in the Group to ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Group's assets.

The Board and the ARMC, with the assistance of the internal auditors, have reviewed the adequacy of the Group's internal controls, including financial, operational and compliance risks, as well as the Group's information technology controls and risk management systems.

The Company's internal auditors conduct an annual review on the adequacy and effectiveness of the key Group's material internal controls, including financial, operational, compliance and information technology controls, and risk management. This review is conducted by the Company's internal auditors who presented their findings to the ARMC. As part of the external audit plan, the external auditors also review certain key accounting controls relating to financial reporting, covering only selected financial cycles and highlight material findings, if any, to the ARMC. The ARMC and the Board review the findings of both the internal and external auditors and the effectiveness of the actions taken by the Management on the recommendations made by the internal and external auditors in this respect.

CORPORATE GOVERNANCE REPORT

The Board and the ARMC have received written assurance from the Executive Chairman and the Director Finance that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2019 give a true and fair view of the Group's operations and finances; and

(b) the risk management and internal control systems in place within the Group are adequate and effective in addressing the material risks in the Group in its current business environment including material financial, operational, compliance and information technology risks.

The Executive Chairman and the Director Finance have obtained similar assurance from the business and corporate executive heads in the Group.

The Board and the ARMC note that the system of internal controls provides reasonable, but not absolute, assurance that the Group will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives.

The Board and the ARMC wish to highlight that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

Based on the reviews conducted by the Management and the internal auditor throughout the financial year, the statutory audit conducted by the external auditor, as well as the assurance from Executive Chairman and Director Finance, the Board with the concurrence of the ARMC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance risks, as well as the Group's information technology controls and risk management systems were adequate as at 30 June 2019.

Financial risks relating to the Group are set out in Note 38 to the financial statements of this Annual Report on pages 143 to 151.

Audit and Risk Management Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The ARMC comprises entirely Non-Executive and Independent Directors:

David Wong Cheong Fook (Chairman)
Dr Foo Fatt Kah
Tan Whei Mien, Joy

The ARMC, inter alia, oversees the quality and integrity of the accounting, auditing, internal controls, risk management and financial practices of the Group.

The Board is of the view that the ARMC members are appropriately qualified to discharge their responsibilities. The Board is satisfied that the ARMC Chairman possesses recent and relevant accounting or related financial management expertise and experience.

The ARMC comprises members who are experienced in finance, legal and business fields.

The role of the ARMC is to assist the Board with discharging its responsibility to safeguard the Company's assets, maintain adequate accounting records and develop and maintain effective systems of internal controls.

CORPORATE GOVERNANCE REPORT

For the year under review, the ARMC held four (4) meetings with the Management and the external auditors, one (1) of which the internal auditors were present to discuss and review the following matters in accordance with its TORs, amongst others:

- the scope and results, and cost effectiveness, independence and objectivity of the external auditors;
- the financial statements of the Company and the consolidated financial statements of the Group, significant financial reporting issues and judgments of the Group before submission to the Board, and any formal announcements relating to the financial performance of the Group;
- the audit plans, audit reports of the external auditors, and their evaluation of the system of internal accounting controls;
- the adequacy and effectiveness of internal financial controls, operations and compliance controls, and risk management policies and systems established by Management and to evaluate the effectiveness of both the internal and external audit efforts;
- the Group's foreign exchange and hedging policies;
- the internal audit plan, the scope and results of the internal auditors;
- the adequacy of the assistance and co-operation given by the Company's Management to the external and internal auditors;
- the arrangements, if any, which staff of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- matters on potential conflict of interest, if any;
- interested person transactions, if any;
- the appointment, re-appointment or removal of the external auditors and to approve the remuneration and terms of engagement; and
- the independence of the external auditors.

In performing its functions, the ARMC:

- met once with the external auditors and internal auditors, without the presence of the Company's Management, and reviewed the overall scope of the external audit, the internal audit and the assistance given by the Management to the auditors;
- has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources and personnel to enable it to discharge its function properly; and
- has full access to and cooperation of the Management and full discretion to invite any Director or key management personnel to attend its meetings.

The external and internal auditors have unrestricted access to the ARMC.

CORPORATE GOVERNANCE REPORT

The ARMC has undertaken a review of the services, scope, independence and objectivity of the external auditors. Messrs Ernst & Young LLP, the external auditors of the Company, has confirmed that they are a public accounting firm registered with the Accounting & Corporate Regulatory Authority and has provided a confirmation of their independence to the ARMC. Having assessed the external auditors based on factors such as performance and quality of their audit partners and auditing team, their overall qualification and their independence status, the ARMC is satisfied that Rule 712 of the Listing Manual has been complied with and has recommended to the Board, the nomination of the external auditors for re-appointment at the forthcoming AGM. The Company has also complied with Rule 715 and Rule 716 of the Listing Manual in relation to its auditing firms.

The ARMC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the ARMC's opinion, affect the independence of the external auditors. Details of the fees paid to the external auditors for FY2019 are disclosed under Note 7 on page 105 of the Annual Report. The ARMC has recommended to the Board the re-appointment of Ernst & Young LLP as the external auditors of the Company at the forthcoming AGM.

The Company has in place a whistle-blowing policy endorsed by the ARMC, by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the ARMC. The objective for such arrangement is to ensure independent investigation of such matters and the appropriate follow-up action.

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The Group's internal audit function is outsourced to Wensen Consulting Asia (S) Pte. Ltd. ("**Wensen**"), a professional accounting firm. Wensen assists the Group to review the adequacy of internal controls in its financial and operational systems and to provide recommendations to strengthen any weaknesses in its internal controls. Wensen reports to the ARMC on audit matters and reports administratively to the Executive Directors. The ARMC also reviews and approves the annual internal audit plans and resources to ensure that Wensen has the necessary resources to adequately perform its functions.

(D) COMMUNICATION WITH SHAREHOLDERS

SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company recognizes the importance of maintaining transparency and accountability to its shareholders. The Board ensures that all the Company's shareholders are treated equitably and the rights of all investors, including non-controlling shareholders are protected.

The Company is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the Company's share price.

The Company strongly encourages shareholders' participation during the AGM which will be held in a convenient location in Singapore. Shareholders are able to proactively engage the Board and the Management on the Group's business activities, financial performance and other business related matters.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Quarterly results are published through the SGXNET, news releases and the Company's website. All information of the Company's new initiatives will first be disseminated via SGXNET followed by a news release, which is also available on the website.

The Company does not practise selective disclosure. Price sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period and are available on the Company's website. All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also advertised in the newspapers.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET.

Conduct of Shareholder Meetings

Principle 16: Company should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company welcomes the views and/or comments of the shareholders on matters concerning the Company and encourages shareholders' participation during the AGMs. The chairmen of the ARMC, the NC and the RC of the Company will be present at the general meetings to answer questions from the shareholders. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

The Company does not implement absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

The Company Secretary, with the assistance of his representative, prepares minutes of shareholders' meetings, which incorporates substantial comments or queries from shareholders and responses from the Board and the Management. These minutes are available to shareholders upon their request.

Each resolution at shareholders' meetings is put to vote by electronic poll. The detailed results showing the number of votes cast for and against each resolution and the respective percentages are immediately presented and announced after each meeting.

CORPORATE GOVERNANCE REPORT

(E) DEALINGS IN SECURITIES

The Company has issued a guideline on share dealings to its Directors and officers (including employees with access to price sensitive information on the Company's shares) of the Group which sets out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on such dealings.

In line with Rule 1207(19) of the Listing Manual, the Company issues a notification to its Directors and officers of the Company informing them that they should not deal in the securities of the Company during the periods commencing one month before the announcement of the Company's full-year results and two weeks before the Company's quarterly results until after the announcement. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for FY2019, the Company has complied with Rule 1207(19) of the Listing Manual.

(F) INTERESTED PERSON TRANSACTIONS

The aggregate value of the interested person transactions carried out during FY2019 is as follows:

Name of Interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than $100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than $100,000) S$'000
Tian San Company (Pte.) Limited	302	–
Wong Peng	155	–

(G) MATERIAL CONTRACTS

Except as disclosed in Note 35 (Related Party Disclosures) of the notes to the financial statements, there were no other material contracts of the Company and its subsidiaries involving the interests of the Group CEO or each Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of the previous financial year.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of PEC Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 30 June 2019.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date, and

(ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

The directors of the Company in office at the date of this statement are:

Edna Ko Poh Thim
Robert Dompeling
Wong Peng
Dr Foo Fatt Kah
David Wong Cheong Fook
Tan Whei Mien, Joy

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Edna Ko Poh Thim	35,059,091	35,105,844	85,750,000	85,750,000
Robert Dompeling	1,279,091	1,325,844	–	–
Wong Peng	4,575,909	4,594,056	–	–
David Wong Cheong Fook	20,000	20,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2019.

Except as disclosed in this report, no other director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

By virtue of Ms. Edna Ko's interest of not less than 20% of the issued share capital of the Company, she is deemed to have an interest in the shares of all subsidiaries of the Company.

PEC PERFORMANCE SHARE PLAN (THE "PLAN")

(Unless otherwise defined herein capitalised terms shall have the meanings ascribed in the circular to shareholders dated 9 October 2013).

The Plan was approved at an Extraordinary General Meeting ("EGM") held on 25 October 2013, for granting awards to eligible full-time employees and Executive Directors. The Plan replaced the PEC Employee Share Option Scheme which had been terminated at the same EGM.

Principal Terms of the Plan

Eligibility

The following persons shall be eligible to participate in the Plan subject to the absolute sole discretion of the Committee:

(a) full time employees who are confirmed in their employment with the Company or any subsidiary as at 30 June of the financial year prior to the Award Date and have been with the Company or its subsidiary for at least twelve (12) Months or such shorter period as the Committee may determine on or prior to the Award Date; and

(b) Executive Directors,

provided always that any of the aforesaid persons:

(i) have attained the age of twenty-one (21) years on or before the Award Date; and

(ii) are not undischarged bankrupts.

Subject to the separate approval by independent Shareholders for their participation in the Plan, Controlling Shareholders and their associates within the above categories are eligible to participate in the Plan.

DIRECTORS' STATEMENT

PEC PERFORMANCE SHARE PLAN (THE "PLAN") (CONT'D)

Principal Terms of the Plan (cont'd)

Awards

Awards represent the right of a Participant to receive fully paid shares, free of charge, upon the satisfaction of the prescribed Performance Conditions within the Performance Period. Participants will be granted an Award, under which Shares will be Vested and Released at the end of the Performance Period once the Committee is, at its sole discretion, satisfied that the Performance Conditions have been achieved.

Grant of Awards

Under the rules of the Plan, there are no fixed periods for the grant of Awards. As such, offers for the Awards may be made at any time from time to time at the discretion of the Committee. In considering an award to be granted to a Participant, the Committee may take into account, inter alia, the Participant's rank, job performance, seniority, creativity, innovativeness, entrepreneurship, potential for future development, length of service, contribution to the success and development of the Group and if applicable, the extent of effort and resourcefulness required to achieve the Performance Conditions within the performance period.

Vesting of Awards

Awards will typically vest only after the satisfactory completion of the Performance Conditions within the Performance Period. No minimum vesting periods are prescribed under the Plan, and the length of the vesting period(s) in respect of each Award will be determined by the Committee on a case-by-case basis.

Size of the Plan

The aggregate number of Shares to be delivered pursuant to the Vesting of the Awards on any date, when added to the number of Shares issued and issuable in respect of such other Shares issued and/or issuable under such other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total issued share capital excluding treasury shares of the Company on the day preceding the relevant Award Date.

The aggregate number of Shares available to eligible Controlling Shareholders and their associates under the Plan shall not exceed twenty five per cent (25%) of the shares available under the Plan. In addition, the aggregate number of Shares available to each Controlling Shareholder or his Associates shall not exceed ten per cent (10%) of the Shares available under the Plan.

Duration of the Plan

The Plan shall continue in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the date on which the Plan is adopted by the Company in general meeting, provided always that the Plan may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. The termination or discontinuance of the Plan shall be without prejudice to the rights accrued to any participant who has been granted Awards, whether such Awards have been vested (whether fully or partially) or not.

The Plan is administered by the Committee consisting of all the Board members, namely, Ms Edna Ko Poh Thim, Mr Robert Dompeling, Mr Wong Peng, Dr Foo Fatt Kah, Mr David Wong Cheong Fook and Ms Tan Whei Mien, Joy. However, Edna Ko and Robert Dompeling have abstained from participating in the Committee's deliberations for the proposed grant of EK Award and RD Award.

DIRECTORS' STATEMENT

PEC PERFORMANCE SHARE PLAN (THE "PLAN") (CONT'D)

Principal Terms of the Plan (cont'd)

As at 30 June 2019, the aggregate number of shares comprised in Awards granted pursuant to the Plan which have not been released amounted up to 19,717,391 (2018: 15,636,673) shares as stated below:

	Award Date	Aggregate number of Shares under Awards granted	Aggregate number of Shares released upon vesting
For directors of the Company:			
Edna Ko Poh Thim	15 February 2016	Up to 282,812	The first tranche, the second tranche and the third tranche of the Award, in respect of 62,338 Shares, 46,753 Shares and 46,753 Shares respectively, have been released on 15 February 2017, 14 February 2018 and 15 February 2019 respectively.
Robert Dompeling	15 February 2016	Up to 282,812	The first tranche, the second tranche and the third tranche of the Award, in respect of 62,338 Shares, 46,753 Shares, and 46,753 Shares respectively, have been released on 15 February 2017, 14 February 2018 and 15 February 2019 respectively.
Wong Peng	15 February 2016	Up to 282,812	The first tranche, the second tranche and the third tranche of the Award, in respect of 57,662 Shares, 43,247 Shares, and 43,247 Shares respectively, have been released on 15 February 2017, 14 February 2018 and 15 February 2019 respectively.
For other employees of the Company	15 February 2016	Up to 6,943,772	The first tranche, the second tranche and the third tranche of the Award, in respect of 1,309,854 Shares, 960,194 Shares and 910,734 Shares respectively, have been released on 15 February 2017, 14 February 2018 and 15 February 2019 respectively.
For directors of the Company:			
Edna Ko Poh Thim	1 December 2016	Up to 199,177	Forfeited
Robert Dompeling	1 December 2016	Up to 199,177	Forfeited
Wong Peng	1 December 2016	Up to 199,177	Forfeited
For other employees of the Company	1 December 2016	Up to 4,958,025	Forfeited

DIRECTORS' STATEMENT

PEC PERFORMANCE SHARE PLAN (THE "PLAN") (CONT'D)

Principal Terms of the Plan (cont'd)

	Award Date	Aggregate number of Shares under Awards granted	Aggregate number of Shares released upon vesting
For directors of the Company:			
Edna Ko Poh Thim	1 December 2017	Up to 154,222	Forfeited
Robert Dompeling	1 December 2017	Up to 154,222	Forfeited
For the other employees of the Company	1 December 2017	Up to 4,569,604	Forfeited
For directors of the Company:			
Edna Ko Poh Thim	3 December 2018	Up to 174,604	Forfeited
Robert Dompeling	3 December 2018	Up to 174,604	Forfeited
For the other employees of the Company	3 December 2018	Up to 4,778,997	Forfeited

Since the commencement of the Plan till the end of the year, no eligible participant has received shares pursuant to the release of Awards granted which, in aggregate, represents 5% or more of the aggregate number of shares available under the Plan.

AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

The ARMC comprises entirely non-executive independent directors, namely, Mr David Wong Cheong Fook (Chairman), Dr Foo Fatt Kah and Ms Tan Whei Mien, Joy. The ARMC has performed the primary functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, details of which appeared in the Corporate Governance Report.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Edna Ko Poh Thim
Director

Robert Dompeling
Director

Singapore
25 September 2019

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019
Independent auditor's report to the members of PEC Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PEC Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 30 June 2019, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA*") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019
Independent auditor's report to the members of PEC Ltd.

Key audit matters (cont'd)

Accounting for 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 ("cost-based input method"). For this contract revenue, a contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advance payments from the customer. During the year, the Group recognised $146,259,998 of revenue from project works and as at year end, the Group has $83,115,933 of contract assets and $57,797,441 of contract liabilities. Significant management assumptions are required in estimating the total contract costs and the recoverable amount of variation works that affect the completion progress and the amount of revenue and profit recognised. The subjectivity involved in these assessments means that any changes in the assumptions used could have a significant impact on the results of the Group. As such, we determined this to be a key audit matter.

As part of our audit, we, amongst others:

- Obtained an understanding of internal controls with respect to project management, project results estimation process and accounting for project contract.
- Discussed the status of projects in progress with the management and project managers. With the knowledge gained from those discussions and the results of our audit procedures, we assessed the reasonability of the forecasted results of the projects, including the effect of variation orders.
- Assessed the mathematical accuracy of the revenue and profit using the cost-based input method.
- Evaluated assumptions used by management in determining completion progress of the projects, estimations to revenue and costs, and provisions for projects with expected losses and liquidated damages, where applicable.
- Obtained an understanding of the progress of the construction contracts by reviewing correspondences between the Group and the customers.
- Evaluated the presentation and disclosure of significant accounting policies for construction contracts, contract assets, contract liabilities and their related disclosures in Note 2.14 and Note 4.

Impairment of trade receivables

The gross balance of the Group's trade receivables as at 30 June 2019 is $114,189,944, against which an allowance for expected credit loss ("ECL") and impairment of $1,984,154 was made. The collectability of trade receivables and related credit losses are key elements of the Group's working capital management, which is managed on an ongoing basis by local management of the respective subsidiaries.

The Group determines ECL and impairment of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables, and using a provision matrix for the remaining trade receivables that is based on its historical credit loss experience, adjusted for current and forward-looking factors specific to the debtors and economic environment. As disclosed in Note 3 to the financial statements, these assessments involved significant management estimate and accordingly, we determined that this is a key audit matter.

As part of our audit, we, amongst others:

- Obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers.
- Evaluated management's assumptions and inputs used in the computation of historical credit loss rates, and reviewed data and information that management has used to make forward-looking adjustments.
- Assessed management's assumptions used to determine expected impairment loss for long overdue trade receivables through testing of the accuracy of aging of the trade receivables and using aging analysis and consideration of their specific profiles and risks.
- Where applicable, review customers' payment history and correspondences between the Group and the customers on expected settlement dates.
- Assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk in Note 17 and Note 38.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019
Independent auditor's report to the members of PEC Ltd.

Information other than the financial statements and auditor's report thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control._

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2019
Independent auditor's report to the members of PEC Ltd.

Auditor's responsibilities for the audit of the financial statements (cont'd)

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ng Boon Heng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
25 September 2019

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2019

	Note	2019 $	2018 $
Revenue	4	392,723,560	330,806,247
Cost of sales		(305,729,057)	(246,381,261)
Gross profit		86,994,503	84,424,986
Other operating income	5	3,506,269	4,928,838
Write back of impairment losses on financial assets	7	478,702	–
Other items of expenses			
Administrative expenses		(27,886,711)	(28,290,795)
Impairment losses on financial assets	7	–	(2,850,328)
Other operating expenses		(49,945,256)	(44,877,962)
Finance expenses	6	(376,853)	(231,212)
Share of results of associate		158,622	311,189
Profit before tax	7	12,929,276	13,414,716
Income tax expense	8	(3,122,712)	(2,649,091)
Profit for the year		9,806,564	10,765,625
Profit for the year attributable to:			
Owners of the Company	33	8,280,944	9,497,688
Non-controlling interests		1,525,620	1,267,937
		9,806,564	10,765,625
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net fair value losses on equity instrument at fair value through other comprehensive income	15	(2,643)	–
Items that may be reclassified subsequently to profit or loss:			
Net fair value gains on available-for-sale financial assets	15	–	456
Foreign currency translation		(1,944,644)	408,692
Other comprehensive income for the year, net of tax		(1,947,287)	409,148
Total comprehensive income for the year		7,859,277	11,174,773
Total comprehensive income for the year attributable to:			
Owners of the Company		6,652,595	9,918,569
Non-controlling interests		1,206,682	1,256,204
		7,859,277	11,174,773
Earnings per share (cents per share)			
Basic	33	3.2	3.7
Diluted	33	3.2	3.7

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 30 June 2019

		Group			Company		
	Note	**2019**	**30.6.2018**	**1.7.2017**	**2019**	**30.6.2018**	**1.7.2017**
		$	$	$	$	$	$
Non-current assets							
Property, plant and equipment	9	84,636,598	77,690,890	83,723,111	36,510,648	38,839,321	43,123,239
Investment properties	10	5,943,450	6,910,806	7,372,148	–	–	–
Intangible assets	11	1,645,035	1,657,247	1,791,497	83,083	38,279	58,500
Land use rights	12	592,885	645,481	661,313	–	–	–
Investment in subsidiaries	13	–	–	–	54,093,383	41,494,594	41,494,594
Investment in an associate	14	4,944,730	5,031,108	4,964,919	354,320	354,320	354,320
Investment securities	15	3,678	6,321	5,865	3,678	6,321	5,865
Prepayments		1,077,718	–	–	–	–	–
Trade receivables	17	1,013,989	1,651,520	1,465,137	–	–	–
Deferred tax assets	25	2,290,888	1,881,345	1,101,767	282,080	–	576,513
		102,148,971	95,474,718	101,085,757	91,327,192	80,732,835	85,613,031
Current assets							
Contract assets	4	83,115,933	60,127,593	50,222,849	62,864,962	46,327,037	37,460,814
Inventories	16	321,387	372,621	276,525	–	–	–
Prepayments		3,437,550	4,113,080	4,604,791	1,102,469	2,828,781	1,564,193
Capitalised contract costs	4	35,139,875	–	1,134,136	700,245	–	–
Trade receivables	17	111,191,801	92,725,151	112,386,069	63,578,605	43,768,852	51,251,090
Other receivables and deposits	18	5,737,243	6,626,053	5,457,937	7,806,664	7,230,579	7,324,822
Amounts/loans due from subsidiaries	19	–	–	–	5,535,650	10,531,714	6,966,123
Cash and short-term deposits	20	94,244,832	86,794,885	107,022,349	36,565,259	46,614,524	51,114,832
		333,188,621	250,759,383	281,104,656	178,153,854	157,301,487	155,681,874
Total assets		435,337,592	346,234,101	382,190,413	269,481,046	238,034,322	241,294,905

BALANCE SHEETS

As at 30 June 2019

	Note	Group 2019 $	Group 30.6.2018 $	Group 1.7.2017 $	Company 2019 $	Company 30.6.2018 $	Company 1.7.2017 $
Current liabilities							
Contract liabilities	4	57,797,441	1,305,459	38,850,714	11,650,000	728,000	512,000
Provisions	21	3,950,009	6,028,953	2,654,311	2,535,710	1,760,486	1,835,130
Income tax payable		1,603,638	474,888	303,351	1,087,111	–	–
Loans and borrowings	22	12,180,984	766,304	787,908	10,000,000	28,254	55,839
Trade payables	23	27,439,286	17,667,634	27,010,570	30,338,885	18,771,517	20,547,424
Other payables and accruals	24	82,866,111	70,438,350	67,290,870	35,561,249	33,803,219	33,709,787
		185,837,469	96,681,588	136,897,724	91,172,955	55,091,476	56,660,180
Net current assets		147,351,152	154,077,795	144,206,932	86,980,899	102,210,011	99,021,694
Non-current liabilities							
Provisions	21	1,238,226	1,238,226	1,364,126	1,238,226	1,238,226	1,238,226
Deferred tax liabilities	25	524,942	520,932	426,938	–	38,809	–
Loans and borrowings	22	6,770,307	7,721,153	8,712,646	–	–	67,738
		8,533,475	9,480,311	10,503,710	1,238,226	1,277,035	1,305,964
Total liabilities		194,370,944	106,161,899	147,401,434	92,411,181	56,368,511	57,966,144
Net assets		240,966,648	240,072,202	234,788,979	177,069,865	181,665,811	183,328,761
Equity attributable to owners of the Company							
Share capital	26	58,835,589	58,835,589	58,481,409	58,835,589	58,835,589	58,481,409
Treasury shares	26	(444,576)	(119,840)	(213,902)	(444,576)	(119,840)	(213,902)
Statutory reserve	27	2,481,085	2,481,085	2,553,128	–	–	–
Retained earnings		174,012,196	171,619,475	168,493,539	118,692,824	122,839,602	124,652,484
Fair value reserve	28	(13,972)	(11,329)	(11,785)	(13,972)	(11,329)	(11,785)
Premium paid on acquisition of non-controlling interests	29	(2,188,914)	(2,188,914)	(2,188,914)	–	–	–
Foreign currency translation reserve	30	(1,205,281)	420,425	–	–	–	–
Share-based compensation reserve	31	–	121,790	420,555	–	121,789	420,555
		231,476,127	231,158,281	227,534,030	177,069,865	181,665,811	183,328,761
Non-controlling interests		9,490,521	8,913,921	7,254,949	–	–	–
Total equity		240,966,648	240,072,202	234,788,979	177,069,865	181,665,811	183,328,761
Total equity and liabilities		435,337,592	346,234,101	382,190,413	269,481,046	238,034,322	241,294,905

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

		Attributable to owners of the Company										
	Note	Share Capital $	Treasury shares $	Statutory reserve $	Retained earnings $	Fair value reserve $	Share-based compensation 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 $
Group												
At 1 July 2018 (FRS framework)		58,835,589	(119,840)	2,481,085	174,076,646	(11,329)	121,790	(2,188,914)	(2,036,746)	231,158,281	8,913,921	240,072,202
Effect of adoption of SFRS(I) 1		–	–	–	(2,457,171)	–	–	–	2,457,171	–	–	–
Effect of adoption of SFRS(I) 9		–	–	–	(380,000)	–	–	–	–	(380,000)	–	(380,000)
At 1 July 2018 (SFRS(I) framework)		58,835,589	(119,840)	2,481,085	171,239,475	(11,329)	121,790	(2,188,914)	420,425	230,778,281	8,913,921	239,692,202
Profit for the year		–	–	–	8,280,944	–	–	–	–	8,280,944	1,525,620	9,806,564
Other comprehensive income												
Net fair value losses on equity instruments at FVOCI	15	–	–	–	–	(2,643)	–	–	–	(2,643)	–	(2,643)
Foreign currency translation		–	–	–	–	–	–	–	(1,625,706)	(1,625,706)	(318,938)	(1,944,644)
Other comprehensive income for the year, net of tax		–	–	–	–	(2,643)	–	–	(1,625,706)	(1,628,349)	(318,938)	(1,947,287)
Total comprehensive income for the year		–	–	–	8,280,944	(2,643)	–	–	(1,625,706)	6,652,595	1,206,682	7,859,277
Contributions by and distributions to owners												
Dividends on ordinary shares	32	–	–	–	(5,093,935)	–	–	–	–	(5,093,935)	–	(5,093,935)
Dividends paid to NCI by subsidiaries	13	–	–	–	–	–	–	–	–	–	(630,082)	(630,082)
Treasury shares reissued pursuant to performance share plan		–	622,127	–	(414,288)	–	(207,839)	–	–	–	–	–
Grant of performance shares to employees	34	–	–	–	–	–	86,049	–	–	86,049	–	86,049
Issue of new ordinary shares			–	–	–	–		–	–	–	–	–
Share buyback	26	–	(946,863)		–	–	–	–	–	(946,863)	–	(946,863)
Total transactions with owners in their capacity as owners		–	(324,736)	–	(5,508,223)	–	(121,790)	–	–	(5,954,749)	(630,082)	(6,584,831)
At 30 June 2019		58,835,589	(444,576)	2,481,085	174,012,196	(13,972)	–	(2,188,914)	(1,205,281)	231,476,127	9,490,521	240,966,648

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

		Attributable to owners of the Company										
	Note	Share capital	Treasury shares	Statutory reserve	Retained earnings	Fair value reserve	Share-based compensation 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
		$	$	$	$	$	$	$	$	$	$	$
Group												
At 1 July 2017 (FRS framework)		58,481,409	(213,902)	2,553,128	170,020,660	(11,785)	420,555	(2,188,914)	(2,457,171)	226,603,980	7,254,949	233,858,929
Effect of adoption of SFRS(I) 1		–	–	–	(2,457,171)	–	–	–	2,457,171	–	–	–
Effect of adoption of SFRS(I) 15		–	–	–	930,050	–	–	–	–	930,050	–	930,050
At 1 July 2017 (SFRS(I) framework)		58,481,409	(213,902)	2,553,128	168,493,539	(11,785)	420,555	(2,188,914)	–	227,534,030	7,254,949	234,788,979
Profit for the year		–	–	–	9,497,688	–	–	–	–	9,497,688	1,267,937	10,765,625
Other comprehensive income												
Net fair value gains on available-for-sale financial assets	15	–	–	–	–	456	–	–	–	456	–	456
Foreign currency translation		–	–	–	–	–	–	–	420,425	420,425	(11,733)	408,692
Other comprehensive income for the year, net of tax		–	–	–	–	456	–	–	420,425	420,881	(11,733)	409,148
Total comprehensive income for the year		–	–	–	9,497,688	456	–	–	420,425	9,918,569	1,256,204	11,174,773
Group												
Contributions by and distributions to owners												
Dividends on ordinary shares	32	–	–	–	(6,365,445)	–	–	–	–	(6,365,445)	–	(6,365,445)
Share issuance expense		–	213,892	–	(6,307)	–	(207,585)	–	–	–	–	–
Grant of performance shares to employees	34	–	–	–	–	–	263,000	–	–	263,000	–	263,000
Issue of new ordinary shares	26	354,180	–	–	–	–	(354,180)	–	–	–	–	–
Share buyback		–	(119,830)	–	–	–	–	–	–	(119,830)	–	(119,830)
Total transactions with owners in their capacity as owners		354,180	94,062	–	(6,371,752)	–	(298,765)	–	–	(6,222,275)	–	(6,222,275)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

	Note	Attributable to owners of the Company										
		Share Capital $	Treasury shares $	Statutory reserve $	Retained earnings $	Fair value reserve $	Share-based compensation 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 $
Group												
Changes in ownership interests in subsidiaries												
Liquidation of subsidiaries		–	–	(72,043)	–	–	–	–	–	(72,043)	402,768	330,725
Total changes in ownership interests in subsidiaries		–	–	(72,043)	–	–	–	–	–	(72,043)	402,768	330,725
At 30 June 2018		58,835,589	(119,840)	2,481,085	171,619,475	(11,329)	121,790	(2,188,914)	420,425	231,158,281	8,913,921	240,072,202

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2019

	Note	2019 $	2018 $
Operating activities:			
Profit before tax		12,929,276	13,414,716
Adjustments for:			
Interest income	5	(932,135)	(878,398)
Net loss on disposal of property, plant and equipment	7	26,351	66,118
Gain on disposal of investment property	5	(183,016)	(73,079)
Net gain on liquidation of subsidiaries	5	–	(2,208,702)
Net gain on disposal of intangible assets	5	(142,418)	–
Interest expense	6	376,853	231,212
Amortisation of land use rights	7	23,875	24,612
Amortisation of intangible assets	7	74,133	134,250
Amortisation of capitalised contract costs	4	414,663	1,134,136
Depreciation of property, plant and equipment	7	11,922,116	12,612,177
Depreciation of investment properties	7	158,535	175,413
(Write back)/impairment losses on financial assets	7	(478,702)	2,850,328
Write back impairment loss on property, plant and equipment	5	(530,051)	–
Provision, net		(2,073,392)	3,244,727
Share of results of associate		(158,622)	(311,189)
Share-based compensation expense	7	86,049	263,000
Unrealised exchange differences		895,223	(99,701)
Operating cash flows before changes in working capital		22,408,738	30,579,620
Increase in contract assets		(23,010,906)	(9,477,498)
Increase/(decrease) in contract liabilities		56,491,982	(37,545,255)
Increase in capitalised contract costs		(35,569,146)	–
Decrease/(increase) in inventories		47,458	(95,409)
(Increase)/decrease in trade receivables, other receivables and deposits, and prepayments		(18,462,853)	18,068,883
Increase/(decrease) in trade payables, other payables and accruals		22,401,379	(6,084,955)
Cash flows generated from/(used in) operations		24,306,652	(4,554,614)
Interest paid		(376,853)	(231,212)
Interest received		932,135	878,398
Tax paid		(2,585,814)	(3,156,970)
Net cash flows generated from/(used in) operating activities		22,276,120	(7,064,398)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2019

	Note	2019 $	2018 $
Investing activities:			
Purchase of property, plant and equipment	9	(19,475,411)	(6,906,865)
Acquisition of intangible asset	11	(78,500)	–
Dividend income from an associate	14	245,000	245,000
Net cash outflow from liquidation of subsidiaries		–	(65,058)
Proceeds from disposal of property, plant and equipment		397,101	262,643
Proceeds from disposal of investment property		931,000	454,999
Proceeds from disposal of intangible assets		158,997	–
Net cash flows used in investing activities		(17,821,813)	(6,009,281)
Financing activities:			
Purchase of treasury shares	26	(946,863)	(119,830)
Dividends paid on ordinary shares	32	(5,093,935)	(6,365,445)
Repayment of loans and borrowings		(1,168,650)	(1,364,389)
Proceeds from loans and borrowings		10,600,360	289,800
Changes in bank deposits pledged		(14,768)	–
Net cash flows from/(used in) financing activities		3,376,144	(7,559,864)
Net increase/(decrease) in cash and cash equivalents		7,830,451	(20,633,543)
Effect of exchange rate changes on cash and cash equivalents		(1,193,853)	344,587
Cash and cash equivalents at 1 July		86,733,393	107,022,349
Cash and cash equivalents at 30 June	20	93,369,991	86,733,393

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

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.

The registered office and principal place of business of the Company is located at 21 Shipyard Road, Singapore 628144.

The principal activities of the Company are the provision of mechanical engineering and contracting services. The principal activities of the subsidiaries are disclosed in Note 13.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

For all periods up to and including the financial year ended 30 June 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore (FRS). These financial statements for the financial year ended 30 June 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The 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.

2.2 First-time adoption of SFRS(I)

These financial statements for the financial year ended 30 June 2019 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 30 June 2019, together with the comparative period data for the year ended 30 June 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 July 2017, the Group and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 July 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- Cumulative currency translation differences for all foreign operations are deemed to be zero at the date of transition, 1 July 2017. As a result, an amount of $2,457,171 was adjusted against the opening retained earnings as at 1 July 2017.
- The comparative information does not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 July 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 9 *Financial Instruments*

On 1 July 2018, the Group adopted SFRS(I) 9 *Financial Instruments*, which is effective for annual periods beginning on or after 1 January 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 July 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

Classification and measurement

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income ("FVOCI"). The Group and Company elects to measure its available-for-sale ("AFS") quoted equity securities at FVOCI. The Group and Company continues to recognise any change in the measurement of the quoted equity securities in the fair value reserve.

Impairment

SFRS(I) 9 requires the Group to record expected credit losses ("ECL") on all of its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of $380,000. The additional impairment recognised arising from adoption of SFRS(I) 9 above resulted in a corresponding decrease in retained earnings of $380,000 as at 1 July 2018. There was no material impact on tax upon the adoption of SFRS(I) 9. There was no material impact to the Company upon adoption of the expected credit loss model.

The reconciliation for loss allowances for the Group is as follows:

	Group	
	Trade receivables	**Contract assets**
	$	**$**
Opening loss allowance as at 1 July 2018	1,782,426	352,221
ECL resulting in decrease of opening retained earnings	380,000	–
Adjusted loss allowance	2,162,426	352,221

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 January 2018.

The Group applied SFRS(I) 15 retrospectively and has elected to apply the exemption in SFRS(I) 1 to apply the following practical expedients in accordance with the transition provisions in SFRS(I) 15:

- For completed contracts, the Group has not restated contracts that begin and end within the same year or are completed contracts at 1 July 2017.

- For completed contracts that have variable consideration, the Group has used the transaction price at the date the contract was completed instead of estimating variable consideration amounts in the comparative year ended 30 June 2018.

The Group is in the business of provision of mechanical engineering services and contracting services. Upon adoption of SFRS(I)15, contracts-in-progress (net of progress billings), progress billings in excess of costs and accrued income have been updated to reflect the terms used in SFRS(I)15. The Group has reclassified contracts-in-progress (net of progress billings) and accrued income of $13,365,762 and $46,761,831 (1 July 2017: $6,167,381 and $38,949,478) respectively to contract assets and progress billings in excess of costs of $1,305,459 (1 July 2017: $38,850,714) to contract liabilities as at 30 June 2018. Similarly, the Company has reclassified contracts-in-progress (net of progress billings) and accrued income of $9,007,342 and $37,319,695 (1 July 2017: $4,652,333 and $31,858,907) respectively to contract assets and progress billings in excess of costs of $728,000 (1 July 2017: $512,000) to contract liabilities as at 30 June 2018.

The other key impacts of adopting SFRS(I)15 are detailed as follows:

Capitalised contract costs

The Group incurred certain incremental costs to obtain contracts. These costs were previously recognised as an expense when incurred. The Group applied the practical expedients in SFRS(I) 15 for costs to obtain a contract to expense those costs that would have been amortised over one year or less. Under SFRS(I) 15, the Group capitalises such costs as incremental costs to obtain a contract with a customer if these costs are recoverable. These costs are amortised to profit or loss as the Group recognises the related revenue. Arising from this change, the Group recognised an increase in capitalised contract costs of $1,134,136 on 1 July 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers* (cont'd)

Contracts with variable consideration

The Group has adjusted the revenue impact using the transaction price on completion date instead of estimating the variable consideration for certain Engineering, Procurement, and Construction ("EPC") contracts. This has resulted in an increase in opening retained earnings as at 1 July 2017 and a corresponding decrease in revenue recognised for the year ended 30 June 2018.

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including the application of the new accounting standards on 1 July 2017 to the balance sheet of the Group.

	Group			
	1.7.2017 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**1.7.2017 (SFRS(I))**
	$	$	$	$
Non-current assets				
Property, plant and equipment	83,723,111	–	–	83,723,111
Investment properties	7,372,148	–	–	7,372,148
Intangible assets	1,791,497	–	–	1,791,497
Land use rights	661,313	–	–	661,313
Investment in an associate	4,964,919	–	–	4,964,919
Investment securities	5,865	–	–	5,865
Trade receivables	1,465,137	–	–	1,465,137
Deferred tax assets	1,101,767	–	–	1,101,767
	101,085,757	–	–	101,085,757
Current assets				
Contracts-in-progress (net of progress billings)	6,167,381	–	(6,167,381)	–
Accrued income	38,949,478	–	(38,949,478)	–
Contract assets	–	–	50,222,849	50,222,849
Inventories	276,525	–	–	276,525
Prepayments	4,604,791	–	–	4,604,791
Capitalised contract costs	–	–	1,134,136	1,134,136
Trade receivables	112,386,069	–	–	112,386,069
Other receivables and deposits	5,457,937	–	–	5,457,937
Cash and short-term deposits	107,022,349	–	–	107,022,349
	274,864,530	–	6,240,126	281,104,656
Total assets	375,950,287	–	6,240,126	382,190,413

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

	Group			
	1.7.2017 (FRS) $	**SFRS(I) 1 adjustments** $	**SFRS(I) 15 adjustments** $	**1.7.2017 (SFRS(I))** $
Current liabilities				
Progress billings in excess of costs	38,850,714	–	(38,850,714)	–
Contract liabilities	–	–	38,850,714	38,850,714
Provisions	2,654,311	–	–	2,654,311
Income tax payable	303,351	–	–	303,351
Loans and borrowings	787,908	–	–	787,908
Trade payables	27,010,570	–	–	27,010,570
Other payables and accruals	61,980,794	–	5,310,076	67,290,870
	131,587,648	–	5,310,076	136,897,724
Net current assets	143,276,882	–	930,050	144,206,932
Non-current liabilities				
Provisions	1,364,126	–	–	1,364,126
Deferred tax liabilities	426,938	–	–	426,938
Loans and borrowings	8,712,646	–	–	8,712,646
	10,503,710	–	–	10,503,710
Total liabilities	142,091,358	–	5,310,076	147,401,434
Net assets	233,858,929	–	930,050	234,788,979
Equity attributable to owners of the Company				
Share capital	58,481,409	–	–	58,481,409
Treasury shares	(213,902)	–	–	(213,902)
Statutory reserve	2,553,128	–	–	2,553,128
Retained earnings	170,020,660	(2,457,171)	930,050	168,493,539
Fair value reserve	(11,785)	–	–	(11,785)
Premium paid on acquisition of non-controlling interests	(2,188,914)	–	–	(2,188,914)
Foreign currency translation reserve	(2,457,171)	2,457,171	–	–
Share-based compensation reserve	420,555	–	–	420,555
	226,603,980	–	930,050	227,534,030
Non-controlling interests	7,254,949	–	–	7,254,949
Total equity	233,858,929	–	930,050	234,788,979
Total equity and liabilities	375,950,287	–	6,240,126	382,190,413

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I), including application of new standards on 30 June 2018 and 1 July 2018 to the balance sheet of the Group.

	Group					
	30.6.2018 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**30.6.2018 (SFRS(I))**	**SFRS(I) 9 adjustments**	**1.7.2018 (SFRS(I))**
	$	$	$	$	$	$
Non-current assets						
Property, plant and equipment	77,690,890	–	–	77,690,890	–	77,690,890
Investment properties	6,910,806	–	–	6,910,806	–	6,910,806
Intangible assets	1,657,247	–	–	1,657,247	–	1,657,247
Land use rights	645,481	–	–	645,481	–	645,481
Investment in an associate	5,031,108	–	–	5,031,108	–	5,031,108
Investment securities	6,321	–	–	6,321	–	6,321
Trade receivables	1,651,520	–	–	1,651,520	–	1,651,520
Deferred tax assets	1,881,345	–	–	1,881,345	–	1,881,345
	95,474,718	–	–	95,474,718	–	95,474,718
Current assets						
Contracts-in-progress (net of progress billings)	13,365,762	–	(13,365,762)	–	–	–
Accrued income	46,761,831	–	(46,761,831)	–	–	–
Contract assets	–	–	60,127,593	60,127,593	–	60,127,593
Inventories	372,621	–	–	372,621	–	372,621
Prepayments	4,113,080	–	–	4,113,080	–	4,113,080
Trade receivables	92,725,151	–	–	92,725,151	(380,000)	92,345,151
Other receivables and deposits	6,626,053	–	–	6,626,053	–	6,626,053
Cash and short-term deposits	86,794,885	–	–	86,794,885	–	86,794,885
	250,759,383	–	–	250,759,383	(380,000)	250,379,383
Total assets	346,234,101	–	–	346,234,101	(380,000)	345,854,101

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

	Group					
	30.6.2018 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**30.6.2018 (SFRS(I))**	**SFRS(I) 9 adjustments**	**1.7.2018 (SFRS(I))**
	$	$	$	$	$	$
Current liabilities						
Progress billings in excess of costs	1,305,459	–	(1,305,459)	–	–	–
Contract liabilities	–	–	1,305,459	1,305,459	–	1,305,459
Provisions	6,028,953	–	–	6,028,953	–	6,028,953
Income tax payable	474,888	–	–	474,888	–	474,888
Loans and borrowings	766,304	–	–	766,304	–	766,304
Trade payables	17,667,634	–	–	17,667,634	–	17,667,634
Other payables and accruals	70,438,350	–	–	70,438,350	–	70,438,350
	96,681,588	–	–	96,681,588	–	96,681,588
Net current assets	154,077,795	–	–	154,077,795	(380,000)	153,697,795
Non-current liabilities						
Provisions	1,238,226	–	–	1,238,226	–	1,238,226
Deferred tax liabilities	520,932	–	–	520,932	–	520,932
Loans and borrowings	7,721,153	–	–	7,721,153	–	7,721,153
	9,480,311	–	–	9,480,311	–	9,480,311
Total liabilities	106,161,899	–	–	106,161,899	–	106,161,899
Net assets	240,072,202	–	–	240,072,202	(380,000)	239,692,202

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

	Group					
	30.6.2018 (FRS)	**SFRS(I) 1 adjustments**	**SFRS(I) 15 adjustments**	**30.6.2018 (SFRS(I))**	**SFRS(I) 9 adjustments**	**1.7.2018 (SFRS(I))**
	$	$	$	$	$	$
Equity attributable to owners of the Company						
Share capital	58,835,589	–	–	58,835,589	–	58,835,589
Treasury shares	(119,840)	–	–	(119,840)	–	(119,840)
Statutory reserve	2,481,085	–	–	2,481,085	–	2,481,085
Retained earnings	174,076,646	(2,457,171)	–	171,619,475	(380,000)	171,239,475
Fair value reserve	(11,329)	–	–	(11,329)	–	(11,329)
Premium paid on acquisition of non-controlling interests	(2,188,914)	–	–	(2,188,914)	–	(2,188,914)
Foreign currency translation reserve	(2,036,746)	2,457,171	–	420,425	–	420,425
Share-based compensation reserve	121,790	–	–	121,790	–	121,790
	231,158,281	–	–	231,158,281	(380,000)	230,778,281
Non-controlling interests	8,913,921	–	–	8,913,921	–	8,913,921
Total equity	240,072,202	–	–	240,072,202	(380,000)	239,692,202
Total equity and liabilities	346,234,101	–	–	346,234,101	(380,000)	345,854,101

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I), including application of new standards on the balance sheet of the Company. The adoption of SFRS(I) does not have any impact to the balance sheet of the Company as at 1 July 2017, except for SFRS(I) 15.

	1.7.2017 (FRS) $	Company SFRS(I) 15 adjustments $	1.7.2017 (SFRS(I)) $
Non-current assets			
Property, plant and equipment	43,123,239	–	43,123,239
Intangible assets	58,500	–	58,500
Investment in subsidiaries	41,494,594	–	41,494,594
Investment in an associate	354,320	–	354,320
Investment securities	5,865	–	5,865
Deferred tax assets	576,513	–	576,513
	85,613,031	–	85,613,031
Current assets			
Contracts-in-progress (net of progress billings)	4,652,333	(4,652,333)	–
Accrued income	31,858,907	(31,858,907)	–
Contract assets	–	37,460,814	37,460,814
Prepayments	1,564,193	–	1,564,193
Trade receivables	51,251,090	–	51,251,090
Other receivables and deposits	7,324,822	–	7,324,822
Amounts/loans due from subsidiaries	6,966,123	–	6,966,123
Cash and short-term deposits	51,114,832	–	51,114,832
	154,732,300	949,574	155,681,874
Total assets	240,345,331	949,574	241,294,905
Current liabilities			
Progress billings in excess of costs	512,000	(512,000)	–
Contract liabilities	–	512,000	512,000
Provisions	1,835,130	–	1,835,130
Loans and borrowings	55,839	–	55,839
Trade payables	20,547,424	–	20,547,424
Other payables and accruals	33,709,787	–	33,709,787
	56,660,180	–	56,660,180
Net current assets	98,072,120	949,574	99,021,694

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

	1.7.2017 (FRS) $	Company SFRS(I) 15 adjustments $	1.7.2017 (SFRS(I)) $
Non-current liabilities			
Provisions	1,238,226	–	1,238,226
Loans and borrowings	67,738	–	67,738
	1,305,964	–	1,305,964
Total liabilities	57,966,144	–	57,966,144
Net assets	182,379,187	949,574	183,328,761
Equity attributable to owners of the Company			
Share capital	58,481,409	–	58,481,409
Treasury shares	(213,902)	–	(213,902)
Retained earnings	123,702,910	949,574	124,652,484
Fair value reserve	(11,785)	–	(11,785)
Share-based compensation reserve	420,555	–	420,555
Total equity	182,379,187	949,574	183,328,761
Total equity and liabilities	240,345,331	949,574	241,294,905

The following is the reconciliation of the impact arising from the application of new standards on 30 June 2018 to the balance sheet of the Company.

	30.06.2018 (FRS) $	Company SFRS(I) 15 adjustments $	30.06.2018 (SFRS(I)) $
Non-current assets			
Property, plant and equipment	38,839,321	–	38,839,321
Intangible assets	38,279	–	38,279
Investment in subsidiaries	41,494,594	–	41,494,594
Investment in an associate	354,320	–	354,320
Investment securities	6,321	–	6,321
	80,732,835	–	80,732,835

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

	30.06.2018 (FRS) $	Company SFRS(I) 15 adjustments $	30.06.2018 (SFRS(I)) $
Current assets			
Contracts-in-progress (net of progress billings)	9,007,342	(9,007,342)	–
Accrued income	37,319,695	(37,319,695)	–
Contract assets	–	46,327,037	46,327,037
Prepayments	2,828,781	–	2,828,781
Trade receivables	43,768,852	–	43,768,852
Other receivables and deposits	7,230,579	–	7,230,579
Amounts/loans due from subsidiaries	10,531,714	–	10,531,714
Cash and short-term deposits	46,614,524	–	46,614,524
		–	
	157,301,487	–	157,301,487
Total assets	238,034,322	–	238,034,322
Current liabilities			
Progress billings in excess of costs	728,000	(728,000)	–
Contract liabilities	–	728,000	728,000
Provisions	1,760,486	–	1,760,486
Loans and borrowings	28,254	–	28,254
Trade payables	18,771,517	–	18,771,517
Other payables and accruals	33,803,219	–	33,803,219
	55,091,476	–	55,091,476
Net current assets	102,210,011	–	102,210,011
Non-current liabilities			
Provisions	1,238,226	–	1,238,226
Deferred tax liabilities	38,809	–	38,809
	1,277,035	–	1,277,035
Total liabilities	56,368,511	–	56,368,511
Net assets	181,665,811	–	181,665,811

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 July 2018 (cont'd)

	30.06.2018 (FRS)	Company SFRS(I) 15 adjustments	30.06.2018 (SFRS(I))
	$	$	$
Equity attributable to owners of the Company			
Share capital	58,835,589	–	58,835,589
Treasury shares	(119,840)	–	(119,840)
Retained earnings	122,839,602	–	122,839,602
Fair value reserve	(11,329)	–	(11,329)
Share-based compensation reserve	121,789	–	121,789
Total equity	181,665,811	–	181,665,811
Total equity and liabilities	238,034,322	–	238,034,322

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) and application of the new accounting standards to the consolidated statement of comprehensive income the Group for the year ended 30 June 2018.

	2018 (FRS)	Group SFRS(I) 15 adjustments	2018 (SFRS(I))
	$	$	$
Revenue	335,912,237	(5,105,990)	330,806,247
Cost of sales	(250,557,201)	4,175,940	(246,381,261)
Gross profit	85,355,036	(930,050)	84,424,986
Other operating income	4,928,838	–	4,928,838
Other items of expenses			
Administrative expenses	(28,290,795)	–	(28,290,795)
Impairment losses on financial assets	(2,850,328)	–	(2,850,328)
Other operating expenses	(44,877,962)	–	(44,877,962)
Finance expenses	(231,212)	–	(231,212)
Share of results of associate	311,189	–	311,189
Profit before tax	14,344,766	(930,050)	13,414,716
Income tax expense	(2,649,091)	–	(2,649,091)
Profit for the year	11,695,675	(930,050)	10,765,625
Profit for the year attributable to:			
Owners of the Company	10,427,738	(930,050)	9,497,688
Non-controlling interests	1,267,937	–	1,267,937
	11,695,675	(930,050)	10,765,625

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 First-time adoption of SFRS(I) (cont'd)

		Group	
	2018 (FRS)	**SFRS(I) 15 adjustments**	**2018 (SFRS(I))**
	$	$	$
Profit for the year	11,695,675	(930,050)	10,765,625
Other comprehensive income	409,148	–	409,148
Total comprehensive income for the year	12,104,823	(930,050)	11,174,773
Total comprehensive income for the year attributable to:			
Owners of the Company	10,848,619	(930,050)	9,918,569
Non-controlling interests	1,256,204	–	1,256,204
	12,104,823	(930,050)	11,174,773

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
SFRS(I) 16 *Leases*	1 January 2019
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective (cont'd)

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 July 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

(i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 July 2019; or

(ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet before 1 July 2019.

In addition, the Group plans to elect the following practical expedients:

- not to 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 identified as leases.
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 July 2019.
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 on 1 July 2019. The Group expects the adoption will result in an increase in total assets and total liabilities, EBITDA and gearing ratio.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– De-recognises the carrying amount of any non-controlling interests;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (cont'd)

(b) *Business combinations and goodwill*

Business combinations are accounted for by applying the acquisition method.

Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land and buildings	–	14 to 50 years
Plant machinery and site equipment	–	3 to 15 years
Motor vehicles	–	5 to 10 years
Office equipment, furniture and fittings, and renovation	–	3 to 5 years

Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the financial year the asset is de-recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that 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.

Investment properties are initially measured at cost, including transaction cost. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed on a straight-line basis over the shorter of its estimated useful life or remaining lease term of 37 to 81 years.

Investment properties are de-recognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

(a) Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

    (i) *Club membership*

    The club membership is amortised on a straight-line basis over its finite useful life of 10 years.

    (ii) *Licence*

    The licence was acquired separately and is amortised on a straight-line basis over its finite useful life of 5 years.

(b) Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. Subsequent to initial recognition, the intangible assets are measured at cost less accumulated impairment losses. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Intangible assets (cont'd)

Goodwill

Goodwill that arises upon the acquisition of subsidiary is included in intangible assets. Impairment losses are reviewed at the end of each reporting period and adjusted if appropriate.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. Amortisation is charged to profit or loss on a straight-line basis over the period of the lease term, which ranges between 48 to 69 years.

2.11 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.12 Associate

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associate using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associate is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The profit or loss reflects the share of results of the operations of the associate. Distributions received from associate reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associate.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Associate (cont'd)

The most recent available audited financial statement of the associated company is used by the Group in applying the equity method. Where the date of the audited financial statement used is not co-terminus with those of the Group, the share of results is arrived at from the last audited financial statement available and unaudited management financial statement to the end of the financial year. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Investment in an associate is accounted for at cost less any impairment losses.

2.13 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.14 Contract revenue

Contract revenue and contract costs are recognised over time by measuring the progress towards complete satisfaction of performance obligations. The Group has determined that the cost-based input method reflects the over-time transfer of control to customers.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. The Group is restricted contractually from directing the assets for another use as they are being constructed and has enforceable rights to payment for performance completed to date. The revenue is recognised over time, based on the contract costs incurred to date as a proportion of estimated total contract costs to be incurred.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

The contract assets relate to unbilled work-in-progress and have substantially the same characteristics as the trade receivables for the same type of contracts. The impairment policy as explained in Note 2.17 also applies to contract assets.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Contract revenue (cont'd)

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted on a weighted average basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

<u>Investments in debt instruments</u>

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Financial instruments (cont'd)

(a) *Financial assets (cont'd)*

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.18 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand, and fixed deposits, highly liquid investments that are readily convertible to known amount of cash which are subject to an insignificant risk of changes in value. These also include bank overdrafts, which form an integral part of the Group's cash management.

2.19 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranty provisions

Provision for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The estimate of warranty-related costs is revised annually.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Provisions (cont'd)

Provision for onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. Before a separate provision for an onerous contract is established, the Group recognised any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of the cost of fulfilling it and any compensation of penalties arising from failure to fulfil it.

Provision for reinstatement costs

Reinstatement costs are provided at the present value of expected costs to settle the obligation using estimated cash flows and are recognised as part of the cost of that particular asset. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the provision for reinstatement costs. The unwinding of the discount is expensed as incurred and recognised in the profit or loss as a finance cost. The estimated future costs of restoration are reviewed annually and adjusted as appropriate. Changes in the estimated future costs or in the discount rate applied are added or deducted from the cost of the asset.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.21 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 Employee benefits (cont'd)

(c) *Equity compensation plans*

Employees of the Group receive remuneration in the form of share awards as consideration for services rendered.

The Company has implemented Performance Share Plan for the award of fully paid ordinary shares to eligible full-time employees and Executive Directors, after pre-determined performance and service conditions are accomplished.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share awards are granted.

This cost is recognised in profit or loss as share-based compensation expenses, with a corresponding increase in the share-based compensation reserve, over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of awards that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expenses recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest.

The share-based compensation reserve is transferred to retained earnings upon cancellation or expiry of the awards. When the awards are released, the share-based compensation reserve is transferred to share capital if new shares are issued to settle the awards, or to treasury shares if awards are satisfied by the re-issuance of treasury shares.

2.22 Leases

(a) *As lessee*

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. The accounting policy for rental income is set out in Note 2.23 (c). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.23 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Project works*

Contract revenue from project works consist of revenue recognised by reference to the stage of completion of the contract activity at the end of the reporting period as the performance obligations are satisfied over time. The accounting policy for contract revenue is set out in Note 2.14.

The Group also provides certain ancillary services in relation to project works. Such services are recognised at a point in time, upon completion of the services.

(b) *Plant maintenance and other services*

Revenue from maintenance services is recognised when the services are rendered and all criteria for acceptance have been satisfied. The Group have both unit-rated as well as fixed-price maintenance contracts.

For fixed-price maintenance contracts, revenue is recognised based on the actual services provided at the end of the reporting period as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours.

Unit-rated maintenance contracts are recognised at a point in time based on the actual hours of services provided, multiply by the contracted rate upon rendering of the services.

(c) *Rental income*

Rental income arising from operating leases on investment properties and equipment are accounted for on a straight-line basis over the lease term.

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Dividend income*

Dividend is recognised when the Group's right to receive the payment is established.

2.24 Government grants

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other income". Alternatively, they are deducted in reporting the related expenses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Taxes

(a) *Current income tax*

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investment in subsidiaries and associate, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investment in subsidiaries and associate, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the financial year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.25 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.26 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.28 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

3. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Group's 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.

3.1 Judgments made in applying accounting policies

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.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

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. The carrying amounts of contract assets and contract liabilities arising from contract revenue at the end of each reporting period are disclosed in Note 4.

If the estimated total contract cost of major projects had been 10% higher/lower than management's estimate, the revenue recognised for project works for the current financial year would have been approximately $4,100,000 (2018: $2,700,000) lower and $6,200,000 (2018: $1,800,000) higher respectively.

Provision for expected credit losses of trade receivables

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

The assessment of the historical observed default rates and forward-looking information involves significant estimates. The Group's historical credit loss experience and forecasted oil prices may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 38a.

If the estimated ECL rate had been 1% higher than management's estimate, ECL on trade receivables would have been approximately $1,142,000 higher.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

4. REVENUE

a) Disaggregation of revenue

Segments

Group	Project works 2019	Project works 2018	Plant maintenance and related services 2019	Plant maintenance and related services 2018	Other operations 2019	Other operations 2018	Total revenue 2019	Total revenue 2018
	$	$	$	$	$	$	$	$
Primary geographical markets								
Singapore	124,322,165	57,996,402	174,870,658	152,725,413	336,174	294,862	299,528,997	211,016,677
Malaysia	12,274,977	2,384,339	74,898	32,128	159,971	226,921	12,509,846	2,643,388
United Arab Emirates	2,407,654	28,701,169	16,305,164	11,764,113	–	–	18,712,818	40,465,282
Others	7,255,202	14,650,291	54,715,981	62,030,609	716	–	61,971,899	76,680,900
	146,259,998	103,732,201	245,966,701	226,552,263	496,861	521,783	392,723,560	330,806,247
Timing of transfer of goods and services								
At a point in time	38,059,066	28,198,961	227,739,001	212,145,883	496,861	521,783	266,294,928	240,866,627
Over time	108,200,932	75,533,240	18,227,700	14,406,380	–	–	126,428,632	89,939,620
	146,259,998	103,732,201	245,966,701	226,552,263	496,861	521,783	392,723,560	330,806,247

b) Contract assets and liabilities

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group 2019	Group 30.6.2018	Group 1.7.2017
	$	$	$
Receivables from contracts with customers (Note 17)	112,205,790	94,376,671	113,851,206
Contract assets	83,115,933	60,127,593	50,222,849
Capitalised contract costs	35,139,875	–	1,134,136
Contract liabilities	57,797,441	1,305,459	38,850,714

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

4. REVENUE (CONT'D)

b) Contract assets and liabilities (cont'd)

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to $426,566 (2018: $428,232).

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for project works. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received consideration from customers for project works. Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	Group	
	2019	**2018**
	$	$
Contract assets reclassified to receivables	60,127,593	50,222,849

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	2019	**2018**
	$	$
Revenue recognised that was included in the contract liability balance at the beginning of the year	1,305,459	38,850,714

c) Capitalised contract costs

	Group	
	2019	**2018**
	$	$
At beginning of the financial year	–	1,134,136
Additions	35,569,146	–
Amortisation	(414,663)	(1,134,136)
Currency realignment	(14,608)	–
At the end of the financial year	35,139,875	–

Included in the capitalised contract cost is $1,504,433 (30 June 2018 and 1 July 2017: $Nil) relating to fulfilment costs for construction projects as at year end.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

5. OTHER OPERATING INCOME

	Group	
	2019	**2018**
	$	$
Gain on disposal of investment property	183,016	73,079
Net gain on disposal of intangible assets	142,418	–
Net gain on liquidation of subsidiaries	–	2,208,702
Insurance claims	301,702	180,846
Interest income		
– Loans and receivables	–	878,398
– Debt instruments at amortised cost	932,135	–
Rental income from investment property (commercial)	266,878	275,289
Write back of impairment on property, plant and equipment	530,051	–
Training income	160,886	120,300
Income from sale of scrap material	301,840	197,258
Sundry income	687,343	994,966
	3,506,269	4,928,838

Sundry income mainly includes government grants, goods and services tax refund and incentives received and recharges to subcontractors.

6. FINANCE EXPENSES

	Group	
	2019	**2018**
	$	$
Interest expense on obligations under finance leases	11,430	8,586
Interest expense on bank loans carried at amortised cost	365,423	222,626
	376,853	231,212

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

7. PROFIT BEFORE TAX

The following items have been included in arriving at profit before tax:

	Note	Group 2019 $	Group 2018 $
Audit fees:			
– Auditors of the Company		303,146	326,636
– Other auditors		126,197	118,810
Non-audit fees:			
– Auditors of the Company		58,781	51,301
Employee benefits expenses (including directors' remuneration):			
– Wages, salaries and bonuses		146,080,875	123,331,006
– Defined contribution expense		4,759,966	4,367,098
– Share-based compensation expense		86,049	263,000
– Other short-term employee benefits		12,997,682	11,266,098
(Write back)/impairment losses on financial assets:			
– Trade receivables		(478,702)	398,232
– Loan receivables from subsidiary under liquidation		–	2,452,096
		(478,702)	2,850,328
Other operating expenses:			
– Net loss on disposal of property, plant and equipment		26,351	66,118
– Depreciation of property, plant and equipment	9	11,922,116	12,612,177
– Depreciation of investment properties	10	158,535	175,413
– Amortisation of intangible assets	11	74,133	134,250
– Amortisation of land use rights	12	23,875	24,612
– Operating lease expense on leasehold land and properties	36(a)	2,267,568	2,794,488
– Operating lease expense on office equipment	36(a)	120,947	230,137
– Accommodation expenses		10,608,255	9,500,926
– Exchange loss, net		734,455	144,495
– Insurance		2,738,324	2,342,291
– Maintenance, upkeep and repair of plant and equipment		3,652,455	3,918,887
– Transport expenses		2,547,652	2,010,197
– Personal protective equipment		2,894,831	1,939,037

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

8. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 30 June are:

	Note	Group 2019 $	Group 2018 $
Consolidated statement of comprehensive income:			
Current income tax:			
– Current income tax		2,206,225	1,196,692
– Under/(over) provision in respect of prior years		57,517	(25,377)
		2,263,742	1,171,315
Deferred income tax:			
– Origination and reversal of temporary differences		602,313	2,038,797
– Benefits from previously unrecognised tax benefits		(447,300)	(2,085,725)
– Over provision in respect of prior years	25	(560,428)	(632,027)
		(405,415)	(678,955)
Withholding tax expense		1,264,385	2,156,731
Income tax expense recognised in profit or loss		3,122,712	2,649,091

The reconciliation between the tax expense and product of accounting profit multiplied by the applicable tax rate for the financial years ended 30 June is as follows:

	2019 $	2018 $
Profit before tax	12,929,276	13,414,716
Tax at statutory tax rate of 17% (2018: 17%)	2,197,977	2,280,502
Adjustments:		
Non-deductible expenses	996,859	991,743
Income not subject to taxation	(272,216)	(1,456,455)
Effect of differences in statutory tax rates	445,690	1,029,839
Benefits from previously unrecognised deferred tax assets	(447,300)	(2,085,725)
Over provision in respect of prior years	(502,911)	(657,404)
Effect of partial tax exemption and tax relief	(774,736)	(415,211)
Withholding tax on foreign sourced income	1,264,385	2,156,731
Undistributed earnings/(reversal of undistributed earnings) of a subsidiary	82,850	45,837
Deferred tax assets not recognised	47,392	674,969
Share of results of associate	(26,966)	(52,902)
Others	111,688	137,167
Income tax expense recognised in profit or loss	3,122,712	2,649,091

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

9. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings $	Plant machinery and site equipment $	Motor vehicles $	Office equipment, furniture and fittings, and renovation $	Construction in progress $	Total $
Group						
Cost:						
At 1 July 2017	69,558,786	89,943,999	19,062,613	19,402,492	321,043	198,288,933
Additions	116,089	2,138,509	1,430,298	1,140,127	2,081,842	6,906,865
Disposals	–	(674,530)	(275,895)	(526,218)	–	(1,476,643)
Currency realignment	(68,024)	245,289	46,036	28,412	17,843	269,556
At 30 June 2018 and 1 July 2018	69,606,851	91,653,267	20,263,052	20,044,813	2,420,728	203,988,711
Additions	–	8,077,603	1,993,035	1,184,611	8,463,362	19,718,611
Disposals	–	(1,828,508)	(674,125)	(1,892,805)	–	(4,395,438)
Transfer from construction in progress	10,769,903	–	–	–	(10,769,903)	–
Currency realignment	(618,433)	(758,231)	(98,842)	(40,033)	(17,876)	(1,533,415)
At 30 June 2019	79,758,321	97,144,131	21,483,120	19,296,586	96,311	217,778,469
Accumulated depreciation and impairment loss:						
At 1 July 2017	21,936,205	61,429,574	14,196,419	17,003,624	–	114,565,822
Charge for the year	3,817,034	6,031,550	1,208,540	1,555,053	–	12,612,177
Disposals	–	(525,085)	(99,727)	(523,070)	–	(1,147,882)
Currency realignment	22,843	167,284	41,451	36,126	–	267,704
At 30 June 2018 and 1 July 2018	25,776,082	67,103,323	15,346,683	18,071,733	–	126,297,821
Charge for the year	3,850,885	5,581,761	1,096,432	1,393,038	–	11,922,116
Disposals	–	(1,534,072)	(550,217)	(1,887,697)	–	(3,971,986)
Reversal of impairment	–	(530,051)	–	–	–	(530,051)
Currency realignment	(98,523)	(405,329)	(48,691)	(23,486)	–	(576,029)
At 30 June 2019	29,528,444	70,215,632	15,844,207	17,553,588	–	133,141,871
Net carrying amount:						
At 1 July 2017	47,622,581	28,514,425	4,866,194	2,398,868	321,043	83,723,111
At 30 June 2018	43,830,769	24,549,944	4,916,369	1,973,080	2,420,728	77,690,890
At 30 June 2019	50,229,877	26,928,499	5,638,913	1,742,998	96,311	84,636,598

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land and buildings $	Plant machinery and site equipment $	Motor vehicles $	Office equipment, furniture and fittings, and renovation $	Total $
Company					
Cost:					
At 1 July 2017	45,651,171	46,978,857	13,972,719	12,174,568	118,777,315
Additions	–	432,395	1,025,364	702,380	2,160,139
Disposals	–	(87,855)	(257,988)	(450,236)	(796,079)
At 30 June 2018 and 1 July 2018	45,651,171	47,323,397	14,740,095	12,426,712	120,141,375
Additions	–	1,935,762	973,187	846,355	3,755,304
Disposals	–	(616,542)	(58,800)	(26,170)	(701,512)
At 30 June 2019	45,651,171	48,642,617	15,654,482	13,246,897	123,195,167
Accumulated depreciation:					
At 1 July 2017	17,135,948	36,125,871	10,789,785	11,602,472	75,654,076
Charge for the year	2,713,155	2,260,784	842,558	454,874	6,271,371
Disposals	–	(87,374)	(85,996)	(450,023)	(623,393)
At 30 June 2018 and 1 July 2018	19,849,103	38,299,281	11,546,347	11,607,323	81,302,054
Charge for the year	2,713,154	2,015,066	684,932	641,825	6,054,977
Disposals	–	(587,574)	(58,799)	(26,139)	(672,512)
At 30 June 2019	22,562,257	39,726,773	12,172,480	12,223,009	86,684,519
Net carrying amount:					
At 1 July 2017	28,515,223	10,852,986	3,182,934	572,096	43,123,239
At 30 June 2018	25,802,068	9,024,116	3,193,748	819,389	38,839,321
At 30 June 2019	23,088,914	8,915,844	3,482,002	1,023,888	36,510,648

Assets held under finance leases

During the financial year, the Group acquired motor vehicles with cost of $243,200 (2018: $Nil) by means of a finance lease. The net cash outflow on acquisition of property, plant and equipment amounted to $19,475,411 (2018: $6,906,865).

The carrying amount of motor vehicles and office equipment held under finance leases at the end of the reporting period were $410,105 (30 June 2018: $313,114, 1 July 2017: $573,015) and $Nil (30 June 2018: $Nil, 1 July 2017: $932) respectively.

Leased assets are pledged as security for the related finance lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets pledged as security

In addition to assets held under finance leases, certain of the Group's leasehold land and buildings with a carrying amount of $7,133,364 (30 June 2018: $7,473,048, 1 July 2017: $7,812,732) are mortgaged to secure one of the Group's bank loans as disclosed in Note 22.

Reversal of impairment of assets

During the year, $530,051 (2018: $Nil) of previously recognised impairment loss is reversed and recognised in profit or loss after the recoverable amount estimated based on its value in use is higher than the carrying value due to improved financial performance and higher growth forecasted for the subsidiary.

10. INVESTMENT PROPERTIES

	2019 $	30.6.2018 $
Group		
Balance sheet		
Cost:		
At the beginning of financial year	7,812,530	8,123,642
Disposal	(845,060)	(419,710)
Currency realignment	(70,308)	108,598
At the end of the financial year	6,897,162	7,812,530
Accumulated depreciation:		
At the beginning of financial year	901,724	751,494
Charge for the year	158,535	175,413
Currency realignment	(9,471)	12,607
Disposal	(97,076)	(37,790)
At the end of the financial year	953,712	901,724

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For the financial year ended 30 June 2019

10. INVESTMENT PROPERTIES (CONT'D)

	2019 $	30.6.2018 $	1.7.2017 $
Net carrying amount:	5,943,450	6,910,806	7,372,148
Income statement			
Rental income from investment properties classified as:			
– Revenue	159,971	226,921	
– Other operating income (Note 5)	266,878	275,289	
Total minimum lease payments	426,849	502,210	
Direct operating expenses (including repairs and maintenance) arising from:			
– Rental generating property	447,416	465,175	

The Group has no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Fair value of the investment properties amounted to $7,270,000 (30 June 2018: $8,100,000, 1 July 2017: $8,290,000) by reference to comparable market transactions that consider recent sale of similar properties that have been transacted in the open market.

Assets pledged as security

The Group's investment properties with a carrying amount of $4,195,893 (30 June 2018: $5,058,452, 1 July 2017: $5,571,999), and their rental proceeds, are mortgaged to secure one of the Group's bank loans disclosed in Note 22.

The investment properties held by the Group as at 30 June 2019 are as follows:

Description and location	Existing Use	Tenure	Unexpired lease term
11 strata-titled factory units of a light industrial development known as The Elitist, Singapore	Offices	Leasehold	37 years
64 units of residential apartment at block C3 Seri Mengkuang, Malaysia	Residential	Leasehold	81 years

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

11. INTANGIBLE ASSETS

			Other intangible assets		
	Note	Goodwill $	Club membership $	Licence $	Total $
Group					
Cost:					
At 1 July 2017, 30 June 2018 and 1 July 2018		1,561,952	274,640	570,150	2,406,742
Additions		–	78,500	–	78,500
Disposals		–	(145,500)	–	(145,500)
At 30 June 2019		1,561,952	207,640	570,150	2,339,742
Accumulated amortisation:					
At 1 July 2017		–	216,140	399,105	615,245
Amortisation for the year	7	–	20,221	114,029	134,250
At 30 June 2018 and 1 July 2018		–	236,361	513,134	749,495
Amortisation for the year	7	–	17,117	57,016	74,133
Disposals		–	(128,921)	–	(128,921)
At 30 June 2019		–	124,557	570,150	694,707
Net carrying amount:					
At 1 July 2017		1,561,952	58,500	171,045	1,791,497
At 30 June 2018		1,561,952	38,279	57,016	1,657,247
At 30 June 2019		1,561,952	83,083	–	1,645,035

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

11. INTANGIBLE ASSETS (CONT'D)

	Club membership $
Company	
Cost:	
At 1 July 2017, 30 June 2018 and 1 July 2018	274,640
Additions	78,500
Disposals	(145,500)
At 30 June 2019	207,640
Accumulated amortisation:	
At 1 July 2017	216,140
Amortisation for the year	20,221
At 30 June 2018 and 1 July 2018	236,361
Amortisation for the year	17,117
Disposals	(128,921)
At 30 June 2019	124,557
Net carrying amount:	
At 1 July 2017	58,500
At 30 June 2018	38,279
At 30 June 2019	83,083

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the Group's other operations, which is also one of the reportable operating segments for purposes of impairment testing.

The recoverable amount was determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year forecast period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flows beyond the five-year period are 5.2% (30 June 2018: 5.2%,1 July 2017:5.2%) and 1.0% (30 June 2018: 1.0%, 1 July 2017: 1.0%) respectively.

11. INTANGIBLE ASSETS (CONT'D)

Key assumptions used in the value in use calculations

The calculations of value in use for the cash-generating units are most sensitive to the following assumptions:

Growth rates	–	The forecasted growth rates are based on past performance and its expectation of business developments.
Pre-tax discount rates	–	Discount rates represents the current market assessment of the risks specific to each cash-generating unit, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital ("WACC"). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Specific risk is incorporated by applying individual beta factors, which are evaluated annually based on publicly available market data.

Sensitivity to changes in assumptions

With regards to the assessment of value in use for goodwill, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

Impairment loss recognised

No impairment loss was recognised in the current financial year in respect of the goodwill attributed to a cash-generating unit.

Other intangible assets

Other intangible assets pertain to licence fee and transferable club memberships. Licence fee pertains to the right to service and use certain specific equipment. Club memberships are registered in the name of directors and senior managers are held in trust for the Group and Company. The amortisation expense is included in "Other operating expense" line item in profit or loss. Club memberships have a remaining tenure of 1 to 2 years (30 June 2018: 1 to 3 years, 1 July 2017: 2 to 4 years).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

12. LAND USE RIGHTS

	Note	2019 $	30.6.2018 $
Group			
Cost:			
At beginning of financial year		942,511	930,178
Currency realignment		(42,498)	12,333
At end of financial year		900,013	942,511
Accumulated amortisation:			
At 1 July		297,030	268,865
Charge for the year	7	23,875	24,612
Currency realignment		(13,777)	3,553
At end of financial year		307,128	297,030

	2019 $	30.6.2018 $	1.7.2017 $
Net carrying amount:	592,885	645,481	661,313
Amount to be amortised:			
– Not later than one year	21,800	22,902	
– Later than one year but not later than five years	87,201	91,610	
– Later than five years	483,884	530,969	
At 30 June	592,885	645,481	

The Group has land use rights over three plots of state-owned land in People's Republic of China ("PRC") where the Group's PRC office and hostel for employees reside. The land use rights are transferrable upon approval from local government and have a remaining tenure of 34 to 63 years (30 June 2018: 35 to 64 years, 1 July 2017: 36 to 65 years).

Amortisation expenses are included in "Other operating expense" line item in profit or loss.

13. INVESTMENT IN SUBSIDIARIES

		Company	
	2019 $	2018 $	2017 $
Unquoted shares, at cost	46,752,693	45,758,533	46,158,533
Loan to a subsidiary	10,354,629	–	–
Impairment losses	(3,013,939)	(4,263,939)	(4,663,939)
	54,093,383	41,494,594	41,494,594

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group

	Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019 %	30.6.2018 %	1.7.2017 %
	Held by the Company:					
(1)	Audex Pte. Ltd.	Singapore	Engineering, procurement, construction and project management services	100	100	100
(3)	Huizhou Tianxin Petrochemical Engineering Co., Ltd.	People's Republic of China	Engineering design, procurement, construction and maintenance services	60	60	60
(1)	IT Re-Engineering Pte. Ltd.	Singapore	Information technology and consultancy services	100	100	100
(6)	PEC Construction Equipment Leasing Company (Huizhou) Limited	People's Republic of China	Heavy machineries and equipment leasing services	100	100	100
(1)	PEC International Investments Pte. Ltd.	Singapore	Investment company	100	100	100
(2)	PEC (Malaysia) Sdn. Bhd.	Malaysia	Civil, mechanical and electrical engineering project services	100	100	100
(6)	PEC Technology Consultancy Services (Huizhou) Ltd.	People's Republic of China	Engineering technology, economic environmental and health consultancy services	100	100	100
(@)	PEC (Middle East) Pte. Ltd.	Singapore	Investment company	–	100	100
(1)	Plant General Services Pte. Ltd.	Singapore	Blasting and painting, scaffolding, insulation services	100	100	100
(1)	Testing Inspection & Solution Pte. Ltd.	Singapore	Heat treatment services	100	100	100
(1)	EBT Engineering Pte. Ltd.	Singapore	Provision of painting and blasting services in the oil and gas industry	55	55	55
(1)	ISOTECH Pte. Ltd.	Singapore	Marketing and provision of CAR-BER tools & services	100	100	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group (cont'd)

	Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019 %	30.6.2018 %	1.7.2017 %
^	Enerz Engineering Pte. Ltd.	Singapore	Engineering, procurement, construction and commissioning of energy power, utility and infrastructure related facilities and services	–	–	84
(4), (7)	Majujaya Wira Sdn Bhd	Malaysia	Dormitory services	49	49	49
(2)	PEC (Myanmar) Ltd	Myanmar	Engineering, procurement, construction and management services	99	99	99
(2)	PECI (Myanmar) Ltd	Myanmar	Engineering, procurement, construction and management services	80	80	80
(8)	PECI Vietnam Ltd	Vietnam	Engineering, procurement, construction and management services	100	100	100
(6)	Plant Engtech Private Limited	India	Consultancy and design services	90	90	90
	Held through a subsidiary:					
^	Audex (Shanghai) Co., Ltd	People's Republic of China	Project management	–	–	100
(2)	Audex Fujairah LL FZE.	United Arab Emirates	Engineering, procurement, construction and project management services	100	100	100
(6)	PT Audex Indonesia	Indonesia	Project management	95	95	95
(5), (7)	PECI-Thai Company Limited	Thailand	Engineering, procurement, construction and maintenance services	49	49	49

(1) Audited by Ernst & Young LLP, Singapore
(2) Audited by member firms of Ernst & Young Global in the respective countries
(3) Audited by Huizhou Fangzheng Certified Public Accountants
(4) Audited by Gow & Tan, Chartered Accountants Malaysia
(5) Audited by EX-CL Consulting Business Company Limited, Thailand
(6) Not material to the Group and not required to be disclosed under SGX Listing Rule 717
(7) Although the Group owns less than half of the shareholding interests in Majujaya Wira Sdn. Bhd. and PECI-Thai Company Limited, it is exposed, or has rights, to variable returns from its involvement with the entities and has the ability to affect those returns through its power over the entities. Consequently, the Group consolidates its investment in these entities.
(8) Audited by KMF Auditing Company Limited
@ Wound up in the current financial year.
^ Wound up in the financial year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(b) *Interest in subsidiaries with material non-controlling interest ("NCI")*

The Group has the following subsidiaries that have NCI that are material to the Group.

	EBT Engineering Pte. Ltd. ("EBT") $	**Huizhou Tianxin Petrochemical Engineering Co., Ltd ("HTX")** $
30 June 2019		
Proportion of ownership interest held by NCI	45%	40%
Accumulated NCI at the end of the financial year	3,943,964	4,587,796
Profit after tax allocated to NCI during the financial year	286,800	1,104,671
30 June 2018		
Proportion of ownership interest held by NCI	45%	40%
Accumulated NCI at the end of the financial year	3,657,164	4,326,041
(Loss)/profit after tax allocated to NCI during the financial year	(25,791)	611,181
1 July 2017		
Proportion of ownership interest held by NCI	45%	40%
Accumulated NCI at the end of the financial year	3,682,955	3,666,550
(Loss)/profit after tax allocated to NCI during the financial year	(1,113,640)	699,450

There are no restrictions on the Group's ability to use or access assets and settle liabilities of these subsidiaries with material non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) *Summarised financial information about subsidiaries with material NCI*

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

		EBT			HTX	
	2019	**30.6.2018**	**1.7.2017**	**2019**	**30.6.2018**	**1.7.2017**
	$	$	$	$	$	$
Summarised balance sheets						
Non-current assets	8,577,559	9,357,077	10,134,120	12,305,707	9,004,930	9,145,611
Current assets	6,499,940	5,673,917	5,535,312	14,636,480	15,403,982	14,294,510
Non-current liabilities	(5,097,213)	(5,218,956)	(5,496,469)	–	–	–
Current liabilities	(1,215,921)	(1,685,006)	(1,988,618)	(15,472,697)	(13,593,809)	(14,273,747)
Net assets	8,764,365	8,127,032	8,184,345	11,469,490	10,815,103	9,166,374
Summarised statement of comprehensive income						
Revenue	9,362,948	9,278,000	8,972,967	28,857,109	26,289,901	18,152,311
Profit/(loss) for the year	637,333	(57,313)	(2,474,756)	2,761,677	1,527,952	1,748,625
Other comprehensive income	–	–	–	(532,083)	120,777	36,155
Total comprehensive income	637,333	(57,313)	(2,474,756)	2,229,594	1,648,729	1,784,780
Other summarised information						
Dividends paid to NCI	–	–	–	(630,082)	–	(4,232,804)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) *Liquidation of subsidiaries*

Enerz Engineering Pte. Ltd.

On 28 June 2018, Enerz Engineering Pte. Ltd. was placed under creditors' voluntary liquidation. The liquidation process was completed and the Group recorded a gain on liquidation of $2,550,878 in the previous financial year.

The value of assets and liabilities of Enerz Engineering Pte. Ltd. as at 28 June 2018 (the "liquidation date"), and the effects of the liquidation were:

	$
Cash and cash equivalents	65,058
Trade and other payables	(163,840)
Loans and borrowings	(2,452,096)
Carrying value of net liabilities	(2,550,878)
Gain on liquidation during the year attributable to:	
Owners of the Company	2,148,110
Non-controlling interests	402,768
	2,550,878

Arising from the liquidation of Enerz Engineering Pte. Ltd., the Company wrote off in previous financial year an impairment loss previously recognised against the cost of investment which amounted to $400,000. The loans and borrowings as at liquidation date were due to the Company. The Company recognised a full impairment on the loan receivables of $2,452,096 in the previous financial year.

Audex (Shanghai) Co., Ltd

On 17 October 2017, Audex (Shanghai) Co., Ltd was liquidated. The liquidation process was completed and the Group recorded a gain on liquidation of $60,592 in the previous financial year.

(e) *Reversal of impairment losses made on investment in a subsidiary*

During the year, management performed an assessment of the recoverable value for the investment in Plant General Services Pte. Ltd. ("PGS"). The impairment loss of $1,250,000 that was provided in previous years was reversed in the current financial year as PGS has since returned to profitability and the recoverable amount exceeds the carrying amount.

(f) *Capitalisation of loan to a subsidiary*

During the year, the Company has capitalised a loan to subsidiary, amounting to $10,354,629, as investment in subsidiaries. The loan to a subsidiary has no fixed repayment date. The repayment date is determined by the subsidiary based on the availability of funds. There is no contractual obligations for the subsidiary to repay the loan.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

14. INVESTMENT IN AN ASSOCIATE

	Group			Company		
	2019	**30.6.2018**	**1.7.2017**	**2019**	**30.6.2018**	**1.7.2017**
	$	$	$	$	$	$
Unquoted shares, at cost	354,320	354,320	354,320	354,320	354,320	354,320
Share of post acquisition reserves	4,590,410	4,676,788	4,610,599	–	–	–
Carrying amount of investment in associate	4,944,730	5,031,108	4,964,919	354,320	354,320	354,320

	Name of associate	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2019	2018
				%	%
	Held by the Company				
(1)	Plant Electrical Instrumentation Pte. Ltd. ("PEI")	Singapore	Engineering services and installation of electrical and scientific instruments	49	49

(1) Audited by Deloitte & Touche, Singapore

Dividends of $245,000 (2018: $245,000) were declared by Plant Electrical Instrumentation Pte. Ltd. ("PEI") to the Company in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

14. INVESTMENT IN AN ASSOCIATE (CONT'D)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

		PEI	
	2019	**30.6.2018**	**1.7.2017**
	$	$	$
Summarised balance sheet			
Current assets	15,920,871	15,196,551	14,602,629
Non-current assets	913,297	783,343	747,735
Total assets	16,834,168	15,979,894	15,350,364
Current liabilities	6,511,958	5,527,168	5,046,194
Non-current liabilities	87,010	41,244	27,768
Total liabilities	6,598,968	5,568,412	5,073,962
Net assets	10,235,200	10,411,482	10,276,402
Proportion of the Group's ownership	49%	49%	49%
Group's share of net assets	5,015,248	5,101,626	5,035,437
Bargain purchase on acquisition	(70,518)	(70,518)	(70,518)
Carrying amount of the investment	4,944,730	5,031,108	4,964,919
Summarised statement of comprehensive income			
Revenue	38,102,453	28,535,989	27,646,785
Profit after tax	323,719	635,080	1,198,338

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

15. INVESTMENT SECURITIES

(a) *Financial instruments as at 30 June 2019*

	Group and Company 2019 $
Non-current	
At fair value through other comprehensive income	
– Equity securities (quoted) listed in Singapore	3,678
At the beginning of the financial year	6,321
Fair value changes included in fair value reserve	(2,643)
At the end of the financial year	3,678

The Group has elected to measure the equity securities at fair value through other comprehensive income due to the Group's intention to hold these equity instruments as long-term investments.

The Group recognised a dividend of $1,517 (2018: $147) from its investments securities during year.

(b) *Financial instruments as at 30 June 2018 and 1 July 2017*

	Group and Company	
	30.6.2018 $	**1.7.2017** $
Available-for-sale financial assets		
– Equity securities (quoted)	6,321	5,685
At the beginning of financial year, at fair value	5,865	
Fair value changes included in fair value reserve	456	
At the end of the financial year, at fair value	6,321	

16. INVENTORIES

		Group	
	2019 $	**30.6.2018** $	**1.7.2017** $
Balance sheet:			
Finished goods, at lower of cost and net realisable value	321,387	372,621	276,525
Consolidated statement of comprehensive income:			
Inventories recognised as an expense in cost of sales	3,879,391	3,516,362	

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

17. TRADE RECEIVABLES

	Group			Company		
	2019	**30.6.2018**	**1.7.2017**	**2019**	**30.6.2018**	**1.7.2017**
	$	$	$	$	$	$
Trade receivables:						
– external parties	114,157,534	96,477,267	136,108,899	52,439,241	31,291,020	56,909,005
– associate	26,471	53,088	4,659	–	235	658
– related parties	5,939	8,742	10,368	–	1,926	5,500
– subsidiaries	–	–	–	11,156,377	12,481,021	14,453,997
	114,189,944	96,539,097	136,123,926	63,595,618	43,774,202	71,369,160
Allowance for impairment:						
– external parties	(1,984,154)	(2,162,426)	(22,272,720)	(17,013)	(5,350)	(20,118,070)
	112,205,790	94,376,671	113,851,206	63,578,605	43,768,852	51,251,090
Non-current	1,013,989	1,651,520	1,465,137	–	–	–
Current	111,191,801	92,725,151	112,386,069	63,578,605	43,768,852	51,251,090
	112,205,790	94,376,671	113,851,206	63,578,605	43,768,852	51,251,090

Trade receivables are unsecured, non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represents their fair values on initial recognition.

Included in trade receivables are retention receivables amounting to $2,637,676 (30 June 2018: $3,097,008, 1 July 2017: $9,368,445) and of which $1,013,989 (30 June 2018: $1,651,520, 1 July 2017: $1,465,137) are non-current.

Amounts due from related parties, associate and subsidiaries are to be settled in cash, unsecured, non-interest bearing and repayable upon demand.

Related parties are companies related to the Group through common directors and shareholders, excluding entities within the Group.

Trade receivables denominated in foreign currencies at 30 June are as follows:

	Group			Company		
	2019	**30.6.2018**	**1.7.2017**	**2019**	**30.6.2018**	**1.7.2017**
	$	$	$	$	$	$
Arab Emirates Dirham	41,155,883	49,446,914	56,777,631	–	–	–
United States Dollar	16,980,503	6,244,262	7,962,144	8,079,962	3,622,304	5,626,725

NOTES TO THE FINANCIAL STATEMENTS

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17. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $64,096,014 as of 30 June 2018 and $70,057,798 as of 1 July 2017 that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group	
	30.6.2018	**1.7.2017**
	$	$
Trade receivables past due but not impaired:		
Less than 30 days	6,556,658	18,101,045
31 – 60 days	2,794,224	3,478,439
61 – 90 days	288,149	19,145,540
More than 90 days	54,456,983	29,332,774
	64,096,014	70,057,798

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

Individually impaired

	Group	
	30.6.2018	**1.7.2017**
	$	$
Trade receivables – nominal amounts	1,782,426	22,866,510
Less: Allowance for impairment	(1,782,426)	(22,272,720)
	–	593,790
Movement in allowance accounts:		
At the beginning of the financial year	22,272,720	
Charge for the year	428,232	
Written off	(20,890,804)	
Written back	(30,000)	
Currency realignment	2,278	
At the end of the financial year	1,782,426	

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

17. TRADE RECEIVABLES (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on 12-month ECL are as follows:

	Trade receivables 2019 $	Contract assets 2019 $
Movement in allowance accounts:		
At the beginning of the financial year (Note 2.2)	2,162,426	352,221
Charge for the year	426,566	–
Written off	(28,355)	–
Impairment of contract assets reclassed to receivables	352,221	(352,221)
Written back	(905,268)	–
Currency realignment	(23,436)	–
At the end of the financial year	1,984,154	–

18. OTHER RECEIVABLES AND DEPOSITS

	Note	Group 2019 $	Group 30.6.2018 $	Group 1.7.2017 $	Company 2019 $	Company 30.6.2018 $	Company 1.7.2017 $
Other receivables		2,818,327	3,574,502	2,261,883	6,215,725	5,478,137	5,410,849
Refundable deposits		2,918,916	3,051,551	3,196,054	1,590,939	1,752,442	1,913,973
		5,737,243	6,626,053	5,457,937	7,806,664	7,230,579	7,324,822
Other receivables and deposits		5,737,243	6,626,053	5,457,937	7,806,664	7,230,579	7,324,822
Trade receivables	17	112,205,790	94,376,671	113,851,206	63,578,605	43,768,852	51,251,090
Amounts due from subsidiaries	19	–	–	–	–	–	229,973
Loans due from subsidiaries	19	–	–	–	5,535,650	10,531,714	6,736,150
Cash and short-term deposits	20	94,244,832	86,794,885	107,022,349	36,565,259	46,614,524	51,114,832
Total financial assets carried at amortised cost		212,187,865	187,797,609	226,331,492	113,486,178	108,145,669	116,656,867

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

18. OTHER RECEIVABLES AND DEPOSITS (CONT'D)

Other receivables are non-trade in nature, unsecured, non-interest bearing and payable upon demand.

Refundable deposits are short-term in nature, unsecured and non-interest bearing.

Other receivables and deposits denominated in foreign currencies are as follows:

		Group			Company	
	2019	30.6.2018	1.7.2017	2019	30.6.2018	1.7.2017
	$	$	$	$	$	$
Euro	–	97,139	192,676	–	97,139	192,676
Malaysian Ringgit	42,618	42,618	85,214	42,618	42,618	85,214
United States Dollar	90,657	176,012	300,462	89,583	174,937	300,462

19. AMOUNTS/LOANS DUE FROM SUBSIDIARIES

			Company	
	Note	2019	30.6.2018	1.7.2017
		$	$	$
Amounts due from subsidiaries	18	–	–	229,973
Loans due from subsidiaries	18	5,535,650	10,531,714	6,736,150
		5,535,650	10,531,714	6,966,123

The amounts due from subsidiaries are current, non-trade, unsecured, repayable on demand, interest free and are to be settled in cash.

The loans due from a subsidiary are current, unsecured, bear interest from 2.8% to 4.5% (30 June 2018: 3.0% to 4.5%, 1 July 2017: 2.0% to 4.5%) per annum and are to be settled in cash.

The loan provided to a subsidiary of $10,354,629 for construction of dormitories was capitalised during the year. The loan has no fixed repayment date. The repayment date is determined by the subsidiary based on the availability of funds. There is no contractual obligations for the subsidiary to repay the loan (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

20. CASH AND SHORT-TERM DEPOSITS

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Note	Group 2019	Group 30.6.2018	Group 1.7.2017	Company 2019	Company 30.6.2018	Company 1.7.2017
		$	$	$	$	$	$
Cash at banks and on hand		69,358,278	73,422,247	82,751,905	25,778,828	42,639,466	43,693,244
Fixed deposits		24,886,554	13,372,638	24,270,444	10,786,431	3,975,058	7,421,588
		94,244,832	86,794,885	107,022,349	36,565,259	46,614,524	51,114,832
Less: Bank deposits pledged		(14,768)	–	–	–	–	–
Less: Bank overdrafts	22	(860,073)	(61,492)	–	–	–	–
Cash and cash equivalents		93,369,991	86,733,393	107,022,349	36,565,259	46,614,524	51,114,832

Certain cash at bank earns interest at floating rate based on daily bank deposit rates.

The interest rate of fixed deposits ranges from approximately 0.25% to 3.25% (30 June 2018: 0.20% to 3.55%, 1 July 2017: 0.16% to 3.70%) per annum.

Cash and short-term deposits denominated in foreign currencies as at 30 June are as follows:

	Group 2019	Group 30.6.2018	Group 1.7.2017	Company 2019	Company 30.6.2018	Company 1.7.2017
	$	$	$	$	$	$
Arab Emirates Dirham	26,080	138,296	86,126	3	3	3
Euro	76,876	22,817	25,230	63,460	8,604	8,535
Malaysian Ringgit	963,508	1,045,324	4,636,591	963,508	1,045,324	4,636,591
Renminbi	3,979,168	4,085,156	3,870,768	3,979,168	4,085,156	3,870,768
United States Dollar	38,250,270	15,078,970	12,824,635	11,674,442	2,113,982	850,330

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

21. PROVISIONS

	Group			Company		
	2019	30.6.2018	1.7.2017	2019	30.6.2018	1.7.2017
	$	$	$	$	$	$
Current:						
Provision for unutilised leave	2,421,862	2,364,187	2,654,311	1,815,110	1,760,486	1,835,130
Provision for warranty	807,547	3,538,866	–	–	–	–
Provision for onerous contracts	720,600	–	–	720,600	–	–
Provision for reinstatement cost	–	125,900	–	–	–	–
	3,950,009	6,028,953	2,654,311	2,535,710	1,760,486	1,835,130
Non-current:						
Provision for reinstatement cost	1,238,226	1,238,226	1,364,126	1,238,226	1,238,226	1,238,226
	5,188,235	7,267,179	4,018,437	3,773,936	2,998,712	3,073,356

	Group				
	Provision for warranty	Provision for unutilised leave	Provision for reinstate-ment cost	Provision for onerous contracts	Total
	$	$	$	$	$
At 1 July 2017	–	2,654,311	1,364,126	–	4,018,437
Arose during the financial year	3,520,329	294,803	–	–	3,815,132
Unused amounts reversed	–	(568,569)	–	–	(568,569)
Currency realignment	18,537	(14,522)	–	–	4,015
Disposal of a subsidiary	–	(1,836)	–	–	(1,836)
At 30 June 2018 and 1 July 2018	3,538,866	2,364,187	1,364,126	–	7,267,179
Arose during the financial year	537,520	281,844	–	720,600	1,539,964
Unused amounts reversed	(3,266,171)	(221,285)	(125,900)	–	(3,613,356)
Currency realignment	(2,668)	(2,884)	–	–	(5,552)
At 30 June 2019	807,547	2,421,862	1,238,226	720,600	5,188,235

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

22. LOANS AND BORROWINGS

			Group			Company		
	Maturity	**Note**	**2019**	**30.6.2018**	**1.7.2017**	**2019**	**30.6.2018**	**1.7.2017**
			$	$	$	$	$	$
Current:								
Bank loan 1	2018-2019		399,045	399,045	399,045	–	–	–
Bank loan 2	2018-2019		268,445	252,895	265,863	–	–	–
Bank loan 3	2018-2019		10,000,000	–	–	10,000,000	–	–
Bank loan 4	2018-2019		590,702	–	–	–	–	–
Bank overdrafts	On demand	20	860,073	61,492	–	–	–	–
Obligations under finance leases	2018-2019		62,719	52,872	123,000	–	28,254	55,839
			12,180,984	766,304	787,908	10,000,000	28,254	55,839
Non-current:								
Bank loan 1	2019-2029		1,673,094	2,502,197	3,144,730	–	–	–
Bank loan 2	2019-2035		4,909,386	5,186,237	5,439,133	–	–	–
Obligations under finance leases	2019-2020		187,827	32,719	128,783	–	–	67,738
			6,770,307	7,721,153	8,712,646	–	–	67,738
Total loans and borrowings		24	18,951,291	8,487,457	9,500,554	10,000,000	28,254	123,577

Bank Loan 1

This loan is denominated in SGD, bears interest of 1.10% to 1.25% + cost of funds (30 June 2018: 1.10% to 1.25% + cost of funds; 1 July 2017: 1.10% to 1.25% + cost of funds) per annum and is secured by a legal mortgage of an investment property (Note 10) and its rental proceeds.

Bank Loan 2

This loan is denominated in SGD, bears fixed interest of 2.70% (30 June 2018: 2.70%, 1 July 2017: 2.70%) per annum and is secured by a legal mortgage over a factory building (Note 9), a personal guarantee, and a corporate guarantee.

Bank Loan 3

This loan is denominated in SGD, unsecured and bears interest of 2.80% per annum.

Bank Loan 4

This loan is denominated in Renminbi ("RMB"), unsecured and bears interest of 5.50% per annum.

Bank overdrafts

Bank overdrafts are denominated in Thai Baht ("THB"), unsecured and bears interest at 8.25% (30.6.2018: 8.25%, 1 July 2017: Nil) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

22. LOANS AND BORROWINGS (CONT'D)

Obligations under finance leases

Finance leases bear interest of 4.35% to 5.66% (30 June 2018: 5.06% to 5.44%, 1 July 2017: 1.79% to 5.44%) per annum and are secured by rights to the leased assets (Note 9). Future minimum lease payments under the finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments 2019 $	Present value of minimum lease payments 2019 $	Minimum lease payments 30.6.2018 $	Present value of minimum lease payments 30.6.2018 $	Minimum lease payments 1.7.2017 $	Present value of minimum lease payments 1.7.2017 $
Group						
Not later than one year	74,136	62,719	55,505	52,872	135,372	123,000
Later than one year but not more than five years	187,827	187,827	32,718	32,719	129,900	128,783
Total minimum lease payments	261,963	250,546	88,223	85,591	265,272	251,783
Less: Amounts representing finance charges	(11,417)	–	(2,632)	–	(13,489)	–
Present value of minimum lease payments	250,546	250,546	85,591	85,591	251,783	251,783
Company						
Not later than one year	–	–	28,974	28,254	60,348	55,839
Later than one year but not more than five years	–	–	–	–	69,689	67,738
Total minimum lease payments	–	–	28,974	28,254	130,037	123,577
Less: Amounts representing finance charges	–	–	(720)	–	(6,460)	–
Present value of minimum lease payments	–	–	28,254	28,254	123,577	123,577

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

22. LOANS AND BORROWINGS (CONT'D)

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes			
	30.6.2018	**Cash flows**	**Acquisition**	**Foreign exchange movement**	**Other**	**2019**
	$	$	$	$	$	$
Loans						
– current	651,940	9,948,419	–	(9,657)	667,490	11,258,192
– non-current	7,688,434	(438,464)	–	–	(667,490)	6,582,480
Obligations under finance leases						
– current	52,872	(78,245)	25,373	–	62,719	62,719
– non-current	32,719	–	217,827	–	(62,719)	187,827
Total	8,425,965	9,431,710	243,200	(9,657)	–	18,091,218

			Non-cash changes	
	1.7.2017	**Cash flows**	**Other**	**30.6.2018**
	$	$	$	$
Loans				
– current	664,908	(664,908)	651,940	651,940
– non-current	8,583,863	(243,489)	(651,940)	7,688,434
Obligations under finance leases				
– current	123,000	(123,000)	52,872	52,872
– non-current	128,783	(43,192)	(52,872)	32,719
Total	9,500,554	(1,074,589)	–	8,425,965

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

23. TRADE PAYABLES

		Group			Company		
	Note	2019	30.6.2018	1.7.2017	2019	30.6.2018	1.7.2017
		$	$	$	$	$	$
Trade payables:							
– external parties		26,195,994	15,149,898	22,465,335	15,511,522	7,482,797	8,964,652
– associate		118,057	665,646	851,244	118,057	664,779	848,542
– related parties		14,432	109,495	111,224	–	93,856	74,407
– subsidiaries		–	–	–	13,060,443	8,435,957	7,117,970
	24	26,328,483	15,925,039	23,427,803	28,690,022	16,677,389	17,005,571
Net GST payables		1,110,803	1,742,595	3,582,767	1,648,863	2,094,128	3,541,853
		27,439,286	17,667,634	27,010,570	30,338,885	18,771,517	20,547,424

Trade payables are unsecured, non-interest bearing and are normally settled on 60-days' terms.

Amounts due to related parties, associate and subsidiaries are to be settled in cash, unsecured, non-interest bearing and repayable on demand.

Related parties are companies related to the Group through common directors and shareholders, excluding entities within the Group.

Trade payables denominated in foreign currencies are as follows:

	Group			Company		
	2019	30.6.2018	1.7.2017	2019	30.6.2018	1.7.2017
	$	$	$	$	$	$
Euro	18,156	57,709	574,954	16,921	56,402	–
Malaysian Ringgit	19,608	–	27,222	19,608	–	27,222
United States Dollar	464,575	397,039	1,695,758	305,216	278,289	2,934,023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

24. OTHER PAYABLES AND ACCRUALS

	Note	Group 2019 $	Group 30.6.2018 $	Group 1.7.2017 $	Company 2019 $	Company 30.6.2018 $	Company 1.7.2017 $
Accrued operating expenses		65,339,749	49,938,315	43,863,952	25,232,708	20,686,758	19,209,701
Accrued staff benefit expenses		11,915,651	12,943,370	12,321,281	10,171,785	10,412,467	10,134,782
Accrued directors' fees		89,248	57,500	67,750	57,500	57,500	43,750
Other payables		1,504,687	3,952,554	5,537,679	99,256	2,646,494	4,321,554
Dividend payable to non-controlling interest		4,016,776	3,546,611	3,500,208	–	–	–
		82,866,111	70,438,350	67,290,870	35,561,249	33,803,219	33,709,787
Other payables and accruals		82,866,111	70,438,350	67,290,870	35,561,249	33,803,219	33,709,787
Loans and borrowings	22	18,951,291	8,487,457	9,500,554	10,000,000	28,254	123,577
Trade payables	23	26,328,483	15,925,039	23,427,803	28,690,022	16,677,389	17,005,571
Total financial liabilities carried at amortised cost		128,145,885	94,850,846	100,219,227	74,251,271	50,508,862	50,838,935

Other payables have an average term of 6 (30 June 2018: 6, 1 July 2017: 6) months.

These amounts are unsecured, non-interest bearing and short-term in nature.

Other payables and accruals denominated in foreign currencies are as follows:

	Group 2019 $	Group 30.6.2018 $	Group 1.7.2017 $	Company 2019 $	Company 30.6.2018 $	Company 1.7.2017 $
United States Dollar	165,813	331,129	2,740,870	–	–	164,190

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

25. DEFERRED TAX ASSETS/LIABILITIES

Deferred tax assets/liabilities as at 30 June relates to the following:

	Group			Company		
	2019	30.6.2018	1.7.2017	2019	30.6.2018	1.7.2017
	$	$	$	$	$	$
Deferred tax liabilities						
Differences in depreciation and amortisation for tax purposes	1,242,262	1,208,026	1,831,560	1,284,730	1,389,067	1,148,888
Foreign sourced income not received in Singapore	193,916	–	127,732	193,916	–	127,732
Undistributed earnings of a subsidiary	235,989	153,139	107,302	–	–	–
Deferred tax assets						
Provisions	(2,332,063)	(1,362,458)	(2,018,850)	(1,760,726)	(1,094,119)	(1,853,133)
Unutilised tax losses	(1,106,050)	(1,359,120)	(722,573)	–	(256,139)	–
	(1,765,946)	(1,360,413)	(674,829)	(282,080)	38,809	(576,513)
Presented as:						
Deferred tax assets	(2,290,888)	(1,881,345)	(1,101,767)	(282,080)	–	(576,513)
Deferred tax liabilities	524,942	520,932	426,938	–	38,809	–
	(1,765,946)	(1,360,413)	(674,829)	(282,080)	38,809	(576,513)

An analysis of the net deferred taxes is as follows:

	Group	
	2019	30.6.2018
	$	$
At the beginning of financial year	(1,360,413)	(674,829)
Movements in deferred taxes (Note 8)		
– current financial year	155,013	(46,928)
– over provision in respect of prior years	(560,428)	(632,027)
– currency realignment	(118)	(6,629)
At the end of the financial year	(1,765,946)	(1,360,413)

Unrecognised tax losses and deductible temporary differences

The Group has unutilised tax losses and deductible temporary differences of approximately $620,620 (30 June 2018: $1,960,000) and $846,904 (30 June 2018: $2,014,000) that are available for offset against future taxable incomes of the companies in which the tax losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and deductible temporary differences are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

25. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

Temporary differences relating to investments in subsidiaries

At the end of the reporting period, $235,989 (30 June 2018: $153,139, 1 July 2017: $107,302) of deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of one of the Group's subsidiaries.

No deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised aggregated to $28,901,000 (30 June 2018: $28,683,000, 1 July 2017: $31,909,000). The deferred tax liability is estimated to be $4,913,170 (30 June 2018: $4,876,000, 1 July 2017: $5,425,000).

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 32).

26. SHARE CAPITAL AND TREASURY SHARES

(a) *Share capital*

	Group and Company					
	2019		**30.6.2018**		**1.7.2017**	
	No. of shares	$	No. of shares	$	No. of shares	$
At beginning of the financial year	255,714,763	58,835,589	255,157,000	58,481,409	255,157,000	58,481,409
Issued during the year	–	–	557,763	354,180	–	–
At the end of the financial year	255,714,763	58,835,589	255,714,763	58,835,589	255,157,000	58,481,409

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

26. SHARE CAPITAL AND TREASURY SHARES (CONT'D)

(b) *Treasury shares*

	Group and Company					
	2019		**30.6.2018**		**1.7.2017**	
	No. of shares	$	No. of shares	$	No. of shares	$
At beginning of financial year	200,024	119,840	539,208	213,902	2,031,400	822,467
Acquired during the year	1,597,000	946,863	200,000	119,830	–	–
Reissued during the year	(1,047,487)	(622,127)	(539,184)	(213,892)	(1,492,192)	(608,565)
At end of financial year	749,537	444,576	200,024	119,840	539,208	213,902

Treasury shares relate to ordinary shares of the Company that is held by the Company.

During the current financial year, the Company acquired 1,597,000 (30 June 2018: 200,000, 1 July 2017: Nil) shares in the Company through purchases on the Singapore Exchange. The total amount paid to acquire the shares was $946,863 (30 June 2018: $119,830, 1 July 2017: Nil) and this was presented as a component within the shareholders' equity.

The Company reissued 1,047,487 (30 June 2018: 539,184, 1 July 2017: 1,492,192) treasury shares pursuant to its employee share option plans at a weighted average exercise price of $0.60 (30 June 2018: $0.40, 1 July 2017: $0.41) each.

27. STATUTORY RESERVE

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), the Group's subsidiaries are required to make appropriations to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

In the previous financial year, the SRF has reached 50% of the subsidiary's registered capital. Accordingly, no appropriations were made since the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

28. FAIR VALUE RESERVE

Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets measured at fair value through other comprehensive income (Note 15) until they are disposed of or impaired.

29. PREMIUM PAID ON ACQUISITION OF NON-CONTROLLING INTERESTS

This represents the difference between consideration paid and the carrying value of additional non-controlling interests acquired.

30. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve records exchange differences arising from the translation of the financial statements of the foreign operations whose functional currencies are different from that of the Group's presentation currency.

31. SHARE-BASED COMPENSATION RESERVE

Share-based compensation reserve represents the equity-settled performance shares granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share awards, and is reduced by the release of share awards.

32. DIVIDENDS

	Group and Company	
	2019	**2018**
	$	$
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt dividend for 2018:2.0 (2017: 2.5) cents per share	5,093,935	6,365,445
Proposed but not recognised as a liability as at 30 June:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
Final exempt dividend for 2019: 2.0 (2018: 2.0) cents per share	5,099,305	5,110,295

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33. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit from operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the statement of comprehensive income and share data used in the computation of basic and diluted earnings per share for the financial years ended 30 June:

	Group	
	2019	**2018**
	$	$
Profit for the year attributable to owners of the Company	8,280,944	9,497,688
Weighted average number of ordinary shares for basic earnings per share computation*	254,811,554	255,002,112
Effect of dilution:		
– Performance Share Plan	–	1,141,363
Weighted average number of ordinary shares for diluted earnings per share computation*	254,811,554	256,143,475
Earnings per share (cents per share)		
– Basic	3.2	3.7
– Diluted	3.2	3.7

* The weighted average number of shares takes into account the weighted average effect of treasury shares transactions during the year.

34. SHARE-BASED COMPENSATION

PEC Performance share plan ("PSP")

The PSP was approved at an Extraordinary General Meeting ("EGM") held on 25 October 2013, for granting awards to eligible full-time employees and Executive Directors. Details of the PSP are disclosed in the Directors' statement.

On 3 December 2018 ("2019 PSP") (2018: 1 December 2017 defined as "2018 PSP"), awards were granted by the Company to qualifying employees pursuant to the Plan in respect of up to 5,128,205 (2018: 4,878,048) shares of the Company. Under the Plan, a specified number of shares will be vested and released by the Committee in accordance with the release schedule to the participants subject to the achievement of certain pre-determined performance conditions. The vesting period is 3 years and the release schedule is as follows:

(a) 40% of the shares will be vested on the first anniversary of grant date;
(b) 30% of the shares will be vested on the second anniversary of grant date; and
(c) 30% of the shares will be vested on the third anniversary of grant date.

As the pre-determined performance conditions were not met, no shares were vested under the 2019 PSP.

For the current financial year, the Group has recognised a share-based compensation expense of $86,049 (2018: $263,000) in relation to 2016 PSP.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

35. RELATED PARTY DISCLOSURES

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:

(a) *Sale and purchase of goods and services*

	Group 2019 $	Group 2018 $
(i) *Related parties:*		
Revenue from sale of information systems	6,055	8,885
Revenue from system installation	1,313	1,182
Office rental expenses	(260,712)	(240,456)
Recharge of utility expenses	(41,775)	(36,176)
(ii) *Associate:*		
Revenue from manpower supply and engineering works	22,304	15,499
Subcontractors charges and manpower charges	(4,039,965)	(4,985,438)

Related parties

These are companies related to the Group through common directors and shareholders, excluding entities within the Group.

(b) *Compensation of key management personnel*

	Group 2019 $	Group 2018 $
Directors' fees	245,000	220,983
Salaries and bonuses	3,894,448	4,545,835
Short-term employee benefits	3,367	21,779
Central Provident Fund contributions	102,873	127,295
Share-based compensation expense	20,390	67,950
Total compensation paid to key management personnel	4,266,078	4,983,842
Comprise amounts paid to		
– Directors of the Company	2,178,617	2,712,053
– Other key management personnel	2,087,461	2,271,789
	4,266,078	4,983,842

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For the financial year ended 30 June 2019

36. COMMITMENTS AND CONTINGENCIES

(a) *Operating lease commitments – as lessee*

The Group and the Company have entered into commercial leases on leasehold land and properties, and office equipment as lessee. Operating lease payments for leasehold land and properties, and office equipment, excluding amortisation of land use rights recognised as an expense in the profit or loss during the year amounted to $2,267,568 (30 June 2018: $2,794,488, 1 July 2017: $2,566,587) and $120,947 (30 June 2018: $230,137, 1 July 2017: $73,182) respectively. These leases have an average tenure of between one and thirty years with renewal option included in the contracts.

Future minimum lease payments under non-cancellable operating leases as at the end of the reporting period are as follows:

		Group	
	2019	**30.6.2018**	**1.7.2017**
	$	$	$
Within one year	1,413,028	1,568,857	2,094,539
Later than one year but not later than five years	4,333,329	4,219,311	5,305,758
More than five years	4,332,940	2,751,161	3,916,745
	10,079,297	8,539,329	11,317,042

(b) *Operating lease commitments – as lessor*

The Group has entered into commercial leases on office space as lessor. These non-cancellable leases have remaining lease term of one to two years.

Future minimum rental receivable under non-cancellable operating leases as at the end of each reporting period are as follows:

		Group	
	2019	**30.6.2018**	**1.7.2017**
	$	$	$
Within one year	286,259	313,282	283,344
Later than one year but not later than five years	27,632	111,412	63,313
	313,891	424,694	346,657

(c) *Contingent liabilities*

The Company has provided corporate guarantees to banks amounting to $3,154,000 (30 June 2018: $3,154,000, 1 July 2017: $3,154,000) for loans taken by its subsidiaries (Note 22 and Note 38).

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For the financial year ended 30 June 2019

37. FAIR VALUE OF ASSETS AND LIABILITIES

A. Fair value hierarchy

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.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

B. Assets and liabilities measured at fair value

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

	Note	Quoted prices in active markets (Level 1) $
Group		
2019		
Financial assets:		
Equity instruments at FVOCI		
– Investment securities (quoted)	15	3,678
30 June 2018		
Financial assets:		
Available-for-sale financial assets		
– Investment securities (quoted)	15	6,321
1 July 2017		
Financial assets:		
Available-for-sale financial assets		
– Investment securities (quoted)	15	5,865

Determination of fair value

Investment securities (Note 15): Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

C. Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets not measured at fair value at the end of the reporting period but for which fair value is disclosed:

	Note	Fair value measurements at the end of the reporting period using		
		Significant observable inputs other than quoted prices (Level 2)	**Significant unobservable inputs (Level 3)**	**Carrying amount**
		$	$	$
2019				
Non-financial assets				
Investment properties	10	7,270,000	–	5,943,450
Financial assets				
Trade receivables	17	–	858,419	1,013,989
		7,270,000	858,419	6,957,439
Financial liabilities				
Loans and borrowings		–	5,493,666	5,097,214
30 June 2018				
Non-financial assets				
Investment properties	10	8,100,000	–	6,910,806
Financial assets				
Trade receivables	17	–	1,396,121	1,651,520
		8,100,000	1,396,121	8,562,326
Financial liabilities				
Loans and borrowings		–	5,406,325	5,218,956
1 July 2017				
Non-financial assets				
Investment properties	10	8,290,000	–	7,372,148
Financial assets				
Trade receivables	17	–	1,165,360	1,465,137
		8,290,000	1,165,360	8,837,285
Financial liabilities				
Loans and borrowings		–	5,594,727	5,496,469

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For the financial year ended 30 June 2019

37. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

C. Assets and liabilities not carried at fair value but for which fair value is disclosed (cont'd)

Determination of fair value

Investment properties (Note 10): Investment properties are based on comparable market transactions that consider recent sale of similar properties that have been transacted in the open market.

Trade receivables (Note 17): The fair value as disclosed above is estimated by discounting expected future cash flows at market incremental lending rate at the end of the reporting period.

Loans and borrowings (Note 22): The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending, borrowing or leasing arrangement at the end of the reporting period.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Finance Director. The Audit Committee provides independent oversight of the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken, except for the use of hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, bank deposits pledged, and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's practice that all new customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments within 90 to 120 days, depending on the geographical location, when they fall due, which are derived based on the Group's historical information, and other qualitative factors.

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For the financial year ended 30 June 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) *Credit risk (cont'd)*

The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations

– Actual or expected significant changes in the operating results of the debtor

– Significant increases in credit risk on other financial instruments of the same debtor

– Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and the Company and changes in the operating results of the debtor.

Regardless of the analysis above, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial re-organisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Group and Company categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments beyond the contractual date due and there is no indication nor arrangement that payment will be received. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group and Company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade receivables.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. 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 loss allowance provision as at 30 June 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecasted of oil prices.

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For the financial year ended 30 June 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) *Credit risk (cont'd)*

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix, grouped by geographical region:

Singapore:

30 June 2019	Contract assets $	Current $	Less than 30 days due $	30 to 60 days due $	61 to 90 days due $	More than 90 days due $	Total $
Gross carrying amount	57,503,484	39,767,375	5,169,990	699,775	284,356	3,310,641	106,735,621
Loss allowance provision	–	(46,958)	(10,746)	(31,000)	(27,243)	(1,189,359)	(1,305,306)
	57,503,484	39,720,417	5,159,244	668,775	257,113	2,121,282	105,430,315

United Arab Emirates:

30 June 2019	Contract assets $	Current $	Less than 30 days due $	30 to 60 days due $	61 to 90 days due $	More than 90 days due $	Total $
Gross carrying amount	5,971,672	3,269,476	579,159	55,737	52,714	41,644,897	51,573,655
Loss allowance provision	–	–	–	–	–	(4,040)	(4,040)
	5,971,672	3,269,476	579,159	55,737	52,714	41,640,857	51,569,615

Other geographical areas:

30 June 2019	Contract assets $	Current $	Less than 30 days due $	30 to 60 days due $	61 to 90 days due $	More than 90 days due $	Total $
Gross carrying amount	19,640,777	14,885,081	802,206	24,465	251,999	3,392,073	38,996,601
Loss allowance provision	–	(40,851)	(14,264)	(4,252)	(52,558)	(562,883)	(674,808)
	19,640,777	14,844,230	787,942	20,213	199,441	2,829,190	38,321,793

Information regarding loss allowance movement of trade receivables is disclosed in Note 17.

During the financial year, the Group wrote-off $28,355 of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) *Credit risk (cont'd)*

Other receivables

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using life time ECL and determined that effect is insignificant.

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2019		2018	
	$	% of total	$	% of total
By country:				
Singapore	47,729,764	43%	31,456,053	33%
United Arab Emirates	45,601,948	41%	51,353,170	54%
Malaysia	8,951,877	8%	48,242	*
Vietnam	3,016,825	3%	3,343,125	4%
Other countries	6,905,376	5%	8,176,081	9%
	112,205,790	100%	94,376,671	100%

* Less than 1%.

At the end of the reporting period, approximately 38% (30 June 2018: 53%, 1 July 2017: 50%) of the Group's trade receivables was due from 1 customer located in United Arab Emirates.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, bank deposits pledged and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and Company manages its liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments. At the end of the reporting period, approximately 64.3% (30 June 2018: 9.0%, 1 July 2017: 8.3%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Liquidity risk (cont'd)*

The Group assessed the concentration of risk with respect to refinancing its debts and concluded it to be low. The Group has assessed that its access to sources of funding is sufficiently available.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Group				
2019				
Financial assets				
Trade receivables	111,191,801	1,013,989	–	112,205,790
Other receivables and deposits	5,737,243	–	–	5,737,243
Cash and short-term deposits	94,244,832	–	–	94,244,832
Total undiscounted financial assets	211,173,876	1,013,989	–	212,187,865
Financial liabilities				
Trade payables	26,328,483	–	–	26,328,483
Other payables and accruals	82,866,111	–	–	82,866,111
Loans and borrowings	12,486,343	3,855,204	5,318,667	21,660,214
Total undiscounted financial liabilities	121,680,937	3,855,204	5,318,667	130,854,808
Total net undiscounted financial assets/ (liabilities)	89,492,939	(2,841,215)	(5,318,667)	81,333,057
30 June 2018				
Financial assets				
Trade receivables	92,725,151	1,651,520	–	94,376,671
Other receivables and deposits	6,626,053	–	–	6,626,053
Cash and short-term deposits	86,794,885	–	–	86,794,885
Total undiscounted financial assets	186,146,089	1,651,520	–	187,797,609
Financial liabilities				
Trade payables	15,925,039	–	–	15,925,039
Other payables and accruals	70,438,350	–	–	70,438,350
Loans and borrowings	953,480	3,863,918	6,426,700	11,244,098
Total undiscounted financial liabilities	87,316,869	3,863,918	6,426,700	97,607,487
Total net undiscounted financial assets/ (liabilities)	98,829,220	(2,212,398)	(6,426,700)	90,190,122

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Liquidity risk (cont'd)*

	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Group				
1 July 2017				
Financial assets				
Trade receivables	112,386,069	1,465,137	–	113,851,206
Other receivables and deposits	5,457,937	–	–	5,457,937
Cash and short-term deposits	107,022,349	–	–	107,022,349
Total undiscounted financial assets	224,866,355	1,465,137	–	226,331,492
Financial liabilities				
Trade payables	23,427,803	–	–	23,427,803
Other payables and accruals	67,290,870	–	–	67,290,870
Loans and borrowings	1,029,548	4,462,379	7,374,031	12,865,958
Total undiscounted financial liabilities	91,748,221	4,462,379	7,374,031	103,584,631
Total net undiscounted financial assets/ (liabilities)	133,118,134	(2,997,242)	(7,374,031)	122,746,861

	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Company				
2019				
Financial assets				
Trade receivables	63,578,605	–	–	63,578,605
Other receivables and deposits	7,806,664	–	–	7,806,664
Loans due from subsidiaries	5,719,240	–	–	5,719,240
Cash and short-term deposits	36,565,259	–	–	36,565,259
Total undiscounted financial assets	113,669,768	–	–	113,669,768
Financial liabilities				
Trade payables	28,690,022	–	–	28,690,022
Other payables and accruals	35,561,249	–	–	35,561,249
Loans and borrowings	10,070,000	–	–	10,070,000
Total undiscounted financial liabilities	74,321,271	–	–	74,321,271
Total net undiscounted financial assets	39,348,497	–	–	39,348,497

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For the financial year ended 30 June 2019

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) *Liquidity risk (cont'd)*

	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Company				
30 June 2018				
Financial assets				
Trade receivables	43,768,852	–	–	43,768,852
Other receivables and deposits	7,230,579	–	–	7,230,579
Loans due from subsidiaries	10,943,927	–	–	10,943,927
Cash and short-term deposits	46,614,524	–	–	46,614,524
Total undiscounted financial assets	108,557,882	–	–	108,557,882
Financial liabilities				
Trade payables	16,677,389	–	–	16,677,389
Other payables and accruals	33,803,219	–	–	33,803,219
Loans and borrowings	28,974	–	–	28,974
Total undiscounted financial liabilities	50,509,582	–	–	50,509,582
Total net undiscounted financial assets	58,048,300	–	–	58,048,300

Company	1 year or less $	1 to 5 years $	Over 5 years $	Total $
1 July 2017				
Financial assets				
Trade receivables	51,251,090	–	–	51,251,090
Other receivables and deposits	7,324,822	–	–	7,324,822
Amounts due from subsidiaries	229,973	–	–	229,973
Loans due from subsidiaries	6,972,361	–	–	6,972,361
Cash and short-term deposits	51,114,832	–	–	51,114,832
Total undiscounted financial assets	116,893,078	–	–	116,893,078
Financial liabilities				
Trade payables	17,005,571	–	–	17,005,571
Other payables and accruals	33,709,787	–	–	33,709,787
Loans and borrowings	60,348	69,689	–	130,037
Total undiscounted financial liabilities	50,775,706	69,689	–	50,845,395
Total net undiscounted financial assets/ (liabilities)	66,117,372	(69,689)	–	66,047,683

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Company's financial guarantees. The maximum amount of the financial guarantees are allocated to the earliest period in which the guarantee could be called.

Company	2019 $	30.6.2018 $ 1 year or less	1.7.2017 $
Financial guarantees (Note 36c)	3,154,000	3,154,000	3,154,000

At the reporting date, the counterparties to the financial guarantees do not have a right to demand payment of cash as there is no default on the borrowings obtained by the subsidiaries.

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Malaysian Ringgit ("MYR"), and United Arab Emirates Dirhams ("AED"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD"), MYR and AED. Approximately 14% (2018: 46%) of the Group's revenue are denominated in foreign currencies.

The Group and the Company also hold cash and short-term deposits, denominated in foreign currencies, mainly USD, RMB and MYR, for working capital purposes.

The Group uses foreign currency contracts and currency option contracts to reduce its currency exposure to foreign currency denominated sales and purchases, when necessary.

The Group is also exposed to currency translation risk arising mainly from its net investments in foreign operations, including Malaysia, United Arab Emirates and the People's Republic of China ("PRC"). The Group's net investments are not hedged as currency positions in MYR, AED and RMB are considered to be long-term in nature.

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38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, MYR, RMB and AED exchange rates against the respective functional currencies of the Group entities, with all other variables held constant, on the Group's profit before tax as at the end of the reporting period.

			Group	
			2019	**2018**
			Profit before tax	
			Increase (+)/ decrease (–) $'000	**Increase (–)/ decrease (+)** $'000
USD/SGD	– strengthened 3%	(2018: 3%)	+676	+246
	– weakened 3%	(2018: 3%)	-676	-246
USD/AED	– strengthened 3%	(2018: 3%)	+656	+106
	– weakened 3%	(2018: 3%)	-656	-106
USD/MYR	– strengthened 3%	(2018: 3%)	+113	–
	– weakened 3%	(2018: 3%)	-113	–
RMB/SGD	– strengthened 3%	(2018: 3%)	+120	+123
	– weakened 3%	(2018: 3%)	-120	-123
AED/SGD	– strengthened 3%	(2018: 3%)	+1,235	+1,488
	– weakened 3%	(2018: 3%)	-1,235	-1,488

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

39. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group aims to obtain an optimal capital structure by balancing capital efficiency and financial flexibility. The Group manages its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares or raise funds through the debt market.

As disclosed in Note 27, subsidiaries of the Group that are incorporated in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the PRC incorporated subsidiaries for the relevant financial years.

Management monitors capital employed based on the gearing ratio. The gearing ratio is defined as the sum of total external borrowings divided by the sum of total capital employed. Total borrowings comprise finance leases and finance loans. Total capital employed is calculated as equity attributable to owners of the Company, including the above-mentioned restricted statutory reserve fund and borrowings. The Group has complied with all externally imposed capital requirement.

	Group	
	2019	**2018**
	$	$
Total borrowings (Note 22)	18,951,291	8,487,457
Total equity attributable to the owners of the Company	231,476,127	231,158,281
Total capital employed	250,427,418	239,645,738
Gearing ratio	7.57%	3.54%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

40. SEGMENT INFORMATION

For management purposes, the Group is organised into business units as the Group's risks and rates of return are affected predominantly by differences in the services and projects carried out. The operating businesses are organised and managed separately according to the nature of the projects and services carried out, with each segment representing a strategic business unit that offers different services and serves different markets. The Group has three reportable segments as follows:

i. The project works segment relates to provision of engineering, procurement and construction services for certain aspects of plant projects, such as tankage and/or piping work, procurement to the oil and gas, petro-chemical, pharmaceutical and oil and chemical terminal industries.

ii. The plant maintenance and related services segment relates to a full discipline of maintenance services provided to the oil and gas, petrochemical, pharmaceutical and oil and chemical terminal industries, usually for a fixed three to five year term, under which various maintenance services and their relevant rates would be itemised.

iii. The other operations segment relates to services provided through the Company's subsidiaries whereby heat treatment, information technology services/products and construction equipment leasing services are provided. It also relates to construction equipment leasing services provided by the Group.

Except as indicated above, no operating segments have been aggregated to form the above reportable business segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

40. SEGMENT INFORMATION (CONT'D)

(a) *Business segments*

	Project works $	Plant main-tenance and related services $	Other operations $	Eliminations $	Total $
2019					
Revenue	146,259,998	245,966,701	496,861	–	392,723,560
Inter-segment sales	32,755,864	17,849,434	2,808,517	(53,413,815)	–
Total revenue	179,015,862	263,816,135	3,305,378	(53,413,815)	392,723,560
Results:					
Segment results	41,869,094	44,971,210	154,199	–	86,994,503
Unallocated expenses and income, net					(63,609,225)
Interest income					932,135
Depreciation and amortisation	(6,626,737)	(1,531,497)	(123,894)	–	(8,282,128)
Unallocated depreciation and amortisation					(3,896,531)
Write back of impairment on property, plant and equipment	530,051	–	–	–	530,051
(Impairment)/write back of trade receivables	(43,687)	522,389	–	–	478,702
Finance costs					(376,853)
Share of results of associate	–	–	158,622	–	158,622
Profit before tax					12,929,276
Income tax expense					(3,122,712)
Profit for the year					9,806,564
Assets:					
Additions to property, plant and equipment	4,267,821	14,679,660	771,130	–	19,718,611

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

40. SEGMENT INFORMATION (CONT'D)

(a) *Business segments (cont'd)*

	Project works $	Plant maintenance and related services $	Other operations $	Eliminations $	Total $
2018					
Revenue	103,732,201	226,552,263	521,783	–	330,806,247
Inter-segment sales	23,291,814	17,288,441	1,740,995	(42,321,250)	–
Total revenue	127,024,015	243,840,704	2,262,778	(42,321,250)	330,806,247
Results:					
Segment results	29,385,908	54,847,930	191,148	–	84,424,986
Unallocated expenses and income, net					(56,171,547)
Interest income					878,398
Depreciation and amortisation	(4,443,748)	(1,383,244)	(137,284)	–	(5,964,276)
Unallocated depreciation and amortisation					(6,982,176)
Impairment of trade receivables	(8,076)	(389,838)	(318)	–	(398,232)
Impairment of loan receivables from subsidiary under liquidation	–	–	(2,452,414)	–	(2,452,414)
Finance costs					(231,212)
Share of results of associate	–	–	311,189	–	311,189
Profit before tax					13,414,716
Income tax expense					(2,649,091)
Profit for the year					10,765,625
Assets:					
Additions to property, plant and equipment	2,679,532	3,651,640	575,693	–	6,906,865

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2019

40. SEGMENT INFORMATION (CONT'D)

(b) *Geographical segments*

The Group's geographical segments are based on the operational sites' geographical location.

	Singapore $	Malaysia $	United Arab Emirates $	Others $	Eliminations $	Total $
2019						
Revenue	299,528,997	12,509,846	18,712,818	61,971,899	–	392,723,560
Inter-segment sales	37,910,900	150,722	–	15,352,193	(53,413,815)	–
Segment revenue	337,439,897	12,660,568	18,712,818	77,324,092	(53,413,815)	392,723,560
2018						
Revenue	211,016,677	2,643,388	40,465,282	76,680,900	–	330,806,247
Inter-segment sales	25,701,501	195,689	–	16,424,060	(42,321,250)	–
Segment revenue	236,718,178	2,839,077	40,465,282	93,104,960	(42,321,250)	330,806,247

	Singapore $	Malaysia $	United Arab Emirates $	Others $	Eliminations $	Total $
2019						
Non-current assets	116,157,467	3,544,039	5,531,900	27,700,393	(54,093,383)	98,840,416
2018						
Non-current assets	107,349,987	3,858,694	6,730,612	15,490,833	(41,494,594)	91,935,532

Non-current assets information presented above consist of property, plant and equipment, investment properties, intangible assets, land use rights, investment in associate, and prepayments as presented in the consolidated balance sheet.

Information about major customers

Revenue from two major customers amount to approximately $118,500,000 (2018: $98,200,000), arising from both project works and plant maintenance and related services business segments.

41. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on 25 September 2019.

STATISTICS OF SHAREHOLDINGS

As at 11 September 2019

ISSUED SHARES AND VOTING RIGHTS

Number of Issued shares (including Treasury Shares)	–	255,714,763
Number of Issued shares (excluding Treasury Shares)	–	254,965,226
Number / Percentage of Treasury Shares	–	749,537 (0.29%)
Voting rights	–	One vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	8	0.42	161	0.00
100 – 1,000	109	5.79	89,472	0.03
1,001 – 10,000	947	50.29	6,230,032	2.44
10,001 – 1,000,000	797	42.33	42,892,355	16.77
1,000,001 AND ABOVE	22	1.17	206,502,743	80.76
TOTAL	**1,883**	**100.00**	**255,714,763**	**100.00**

SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
Name of Substantial Shareholders	Direct Interest	Deemed Interest	Total No. of Shares	%
Tian San Company (Pte) Limited	85,750,000	–	85,750,000	33.63%
Edna Ko Poh Thim (1)	35,105,844	85,750,000	120,855,844	47.40%
Mark Ko Teong Hoon	23,624,475	–	23,624,475	9.27%

1 Edna Ko Poh Thim is deemed to be interested in 85,750,000 shares held by Tian San Company (Pte) Limited by virtue of Section 7 of the Companies Act, Chapter 50.

STATISTICS OF SHAREHOLDINGS

As at 11 September 2019

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	TIAN SAN COMPANY (PTE.) LIMITED	85,750,000	33.63
2	KO POH THIM EDNA	35,105,844	13.77
3	MARK KO TEONG HOON (GAO ZHONGXUN)	23,624,475	9.27
4	DBS NOMINEES (PRIVATE) LIMITED	9,209,075	3.61
5	DB NOMINEES (SINGAPORE) PTE LTD	7,567,100	2.97
6	CITIBANK NOMINEES SINGAPORE PTE LTD	5,246,824	2.06
7	HO KIM LEE ADRIAN	5,200,900	2.04
8	YIM CHEE CHONG	5,036,000	1.98
9	WONG PENG	4,594,056	1.80
10	NG KHAN TEE	3,501,575	1.37
11	KO TEOH MEI SHU SUSIE	3,500,000	1.37
12	PATRICIA KO POH CHENG	3,232,100	1.27
13	MELISSA PEONY LU TENG KO KUMAR	2,668,950	1.05
14	LEE MAY PENG MAISIE	1,750,000	0.69
15	KO LU SEIN	1,600,000	0.63
16	PHILLIP SECURITIES PTE LTD	1,453,000	0.57
17	ROBERT DOMPELING	1,325,844	0.52
18	YEO SENG CHONG	1,325,000	0.52
19	ISKOUNEN MEHDI ADAM	1,300,000	0.51
20	KO POH KHENG KRISTINE	1,228,000	0.48
	TOTAL	**204,218,743**	**80.11**

PERCENTAGE OF SHAREHOLDING HELD IN PUBLIC HANDS

Based on the information available to the Company as at 11 September 2019, approximately 33.70% of the issued ordinary shares, excluding treasury shares, of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual has been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at M Hotel Singapore, Level 2, Anson III 81 Anson Road, Singapore 079908, on Wednesday, 23 October 2019 at 3.00 p.m. for the following purposes:

AS ROUTINE BUSINESS:

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2019 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt One-Tier Final Dividend of 2.0 cents per ordinary share for the financial year ended 30 June 2019. **(Resolution 2)**

3. To re-elect Ms Edna Ko Poh Thim, being a Director who retires by rotation pursuant to Article 114 of the Constitution of the Company. **(Resolution 3)**

4. To re-elect Mr David Wong Cheong Fook, being a Director who retires by rotation pursuant to Article 114 of the Constitution of the Company. [See Explanatory Note (i)] **(Resolution 4)**

5. To approve the payment of Directors' fees of S$285,000 for the financial year ending 30 June 2020, to be paid quarterly in arrears. **(Resolution 5)**

6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other routine business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

8. **SHARE ISSUE MANDATE**

THAT pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:

a. (i) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares (collectively, "**Instruments**"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

b. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company shall be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note (ii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

9. **PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

THAT:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held;

(ii) the date on which the next annual general meeting of the Company is required by law to be held; or

(iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Prescribed Limit**" means ten per cent. (10%) of the total number of issued Shares (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and any Shares which are held as treasury shares) as at the date of the passing of this Resolution, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the date the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price (as hereinafter defined),

NOTICE OF ANNUAL GENERAL MEETING

where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five (5)-Market Day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

(d) the Directors or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company pursuant to the Share Purchase Mandate in any manner as they think fit, which is permissible under the Companies Act; and

(e) the Directors or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [See Explanatory Note (iii)] **(Resolution 8)**

10. **AUTHORITY TO GRANT AWARDS AND ALLOT AND ISSUE SHARES UNDER THE PEC PERFORMANCE SHARE PLAN**

THAT the Directors of the Company be and are hereby authorised to:

(a) grant awards ("**Awards**") in accordance with the provisions of the PEC Performance Share Plan (the "**Plan**"); and

(b) pursuant to Section 161 of the Companies Act, allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of Awards granted under the Plan,

provided always that the aggregate number of shares to be delivered pursuant to the vesting of Awards granted or to be granted under the Plan, when added to the number of shares issued and/or issuable under such other share-based incentive schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares of the Company (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares) on the day preceding the relevant award date. [See Explanatory Note (iv)] **(Resolution 9)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Company Secretary

Singapore, 7 October 2019

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Save as provided in the Constitution, a member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 21 Shipyard Road, Singapore 628144, not less than 48 hours before the time appointed for holding the Annual General Meeting.

   * A Relevant Intermediary is:

     (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

     (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

     (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

EXPLANATORY NOTES:

(i) **Resolution 4** is to re-elect Mr David Wong Cheong Fook as a Director of the Company. Mr David, upon re-election as a Director of the Company, will remain as the Chairman of the Audit and Risk Management Committee and a member of the Remuneration Committee and the Nominating Committee. Mr David is the Independent Director.

(ii) **Resolution 7** proposed in item 8. above, if passed, is to empower the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above), and to issue shares in pursuance of such Instruments. The aggregate number of shares to be issued pursuant to Resolution 7 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company will be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company at the time of the passing of Resolution 7, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 7, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

(iii) **Resolution 8** proposed in item 9. above, if passed, will empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of market purchases or off-market purchases) Shares on the terms of the Share Purchase Mandate as set out in the letter to shareholders of the Company dated 7 October 2019 (the "**Letter**").

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance its purchase or acquisitions of Shares pursuant to the Share Purchase Mandate. It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the net tangible asset value and earnings per Share as the resultant effect would depend on, inter alia, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions, and whether the Shares purchased or acquired are cancelled or held as treasury shares.

An illustration of the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate based on the audited financial statements of the Group for the financial year ended 30 June 2019 is set out in paragraph 2.7 of the Letter.

(iv) **Resolution 9** proposed in item 10. above, if passed, is to authorise the Directors to (a) offer and grant Awards in accordance with the provisions of the Plan and (b) pursuant to Section 161 of the Companies Act, to allot and issue shares in the capital of the Company pursuant to the vesting of Awards granted under the Plan, provided that the aggregate number of shares to be delivered pursuant to the vesting of Awards granted or to be granted under the Plan, when added to the number of shares issued and/or issuable in respect of such other share-based incentive schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued shares of the Company (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares) on the day preceding the relevant award date. As at the Latest Practicable Date, (a) apart from the Plan, there are no other share-based incentive schemes of the Company in force; and (b) Awards in respect of up to 18,225,812 shares have been granted under the Plan of which 2,589,139 shares have been released.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Directors who seeking re-election at the forthcoming annual general meeting of the Company as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	Ms Edna Ko Poh Thim	**Mr David Wong Cheok Fook**
Date of Appointment	8 February 1984	8 January 2014
Date of last re-appointment	27 October 2016	27 October 2016
Age	61	66
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("**NC**") and has reviewed and considered the qualification, work experience and suitability of Ms Edna Ko Poh Thim for re-appointment as the Executive Chairman of the Company. The Board has reviewed and concluded that Ms Ko possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the NC and has reviewed and considered the qualification, work experience and suitability of Mr David Wong Cheok Fook for re-appointment as an Independent Director, Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nominating Committees and the Board of Directors of the Company. The Board has reviewed and concluded that Mr Wong possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Chairman Responsible for Group's overall business strategy and development. Ms Ko was instrumental in implementing PEC's local and overseas expansion through organic growth, mergers and acquisition and strategic joint ventures.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman	Independent Director, Chairman of the Audit and Risk Management Committee and a member of the Remuneration and Nominating Committees.
Working experience and occupation(s) during the past 10 years	Ms Ko is the Executive Chairman and sits on the PEC Ltd. Board of Directors. Ms Ko was named as Executive Chairman in July 2007.	Independent Director and Audit Chairman of two listed companies. Board member of several statutory boards and non-profit organisations.
Shareholding interest in the listed issuer and its subsidiaries	Direct Interest: 35,105,844 shares Deemed Interest:85,750,000 shares	Direct Interest: 20,000 shares
any relationship (including immediate family relationships with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Spouse of Robert Dompeling	No
Conflict of Interest (including any competing business)	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Ms Edna Ko Poh Thim	Mr David Wong Cheok Fook
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# (for the last 5 years)	PEC Ltd	Energy Market Company Pte Ltd – Director
Present	<u>Group Companies</u> Audex Pte. Ltd. Huizhou Tianxin Petrochemical Engineering Co., Ltd ITR Re-Engineering Pte Ltd PEC Construction Equipment Leasing Company (Huizhou) Ltd PEC (Malaysia) Sdn Bhd PECI-Thai Co. Ltd PEC International Investments Pte Ltd Plant Electrical Instrumentation Pte Ltd Plant General Services Pte Ltd PEC Technology Consultancy Services (Huizhou) Ltd Testing Inspection & Solution Pte Ltd EBT Engineering Pte Ltd <u>Other Companies</u> Tian San Co. Pte Ltd Tian San Shipping Pte Ltd TS Harbour Services Pte Ltd Asia Chemical Plant Consultant Services Pte Ltd	United Engineers Limited – Director Banking Computer Services Pte. Ltd. - Director Republic Polytechnic – Chairman Casino Regulatory Authority – Board Member Charity Council – Council Member
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		Ms Edna Ko Poh Thim	Mr David Wong Cheok Fook
(b)	**Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?**	No	No
(c)	**Whether there is any unsatisfied judgment against him?**	No	No
(d)	**Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?**	No	No
(e)	**Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?**	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

		Ms Edna Ko Poh Thim	Mr David Wong Cheok Fook
(f)	**Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?**	No	No
(g)	**Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?**	No	No
(h)	**Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?**	No	No
(i)	**Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?**	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Ms Edna Ko Poh Thim	Mr David Wong Cheok Fook
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:– (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Ms Edna Ko Poh Thim	Mr David Wong Cheek Fook
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? **If yes, please provide details of prior experience.** **If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.** **Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).**	N.A.	N.A.

PEC LTD.

(Incorporated in Singapore)
(Registration No. 198200079M)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") may attend and cast his vote(s) at the Meeting in person. A CPF Investor who is unable to attend the Meeting but would like to vote, may inform his CPF Approved Nominees to appoint the Chairman of the Meeting to act as his proxy, in which case, the CPF Investor shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________ (Name) ______________________ (NRIC/ Passport Number/ Company Regn. No.)

of ____ (Address)

being a member/members of PEC LTD. (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or failing him/her (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at M Hotel Singapore, Level 2, Anson III 81 Anson Road, Singapore 079908 on Wednesday, 23 October 2019 at 3.00 p.m. and at any adjournment thereof.

The proxy/proxies shall vote on the Resolutions set out in the notice of the AGM in accordance with my/our directions as indicated hereunder. Where no such direction is given, the proxy/proxies may vote or abstain from voting at his/their discretion, on any matter at the AGM or at any adjournment thereof.

No.	Resolutions relating to:	For	Against
	ROUTINE BUSINESS		
1	Adoption of Directors' Statement and the Audited Financial Statements for the financial year ended 30 June 2019 **(Resolution 1)**		
2	Approval of Tax Exempt One-Tier Final Dividend **(Resolution 2)**		
3	Re-election of Ms Edna Ko Poh Thim as a Director **(Resolution 3)**		
4	Re-election of Mr David Wong Cheong Fook as a Director **(Resolution 4)**		
5	Approval of Directors' fees of S$285,000 for the financial year ending 30 June 2020, to be paid quarterly in arrears **(Resolution 5)**		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors **(Resolution 6)**		
7	Any other business		
	SPECIAL BUSINESS		
8	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 **(Resolution 7)**		
9	Renewal of Share Purchase Mandate **(Resolution 8)**		
10	Authority for Directors to grant awards and allot and issue shares under the PEC Performance Share Plan **(Resolution 9)**		

* If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ________________ day of ________________ 2019

Total Number of Shares held in:	
CDP Register	
Register of Members	

____
Signature(s) of member(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 21 Shipyard Road, Singapore 628144 not less than 48 hours before the time set for the Meeting.
4. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

AFFIX
POSTAGE
STAMP

PEC LTD.
21 Shipyard Road
Singapore 628144

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9. An investor who hold shares under the Central Provident Fund Investment Scheme ("CPF Investor") may attend and cast his vote(s) at the Meeting in person. A CPF Investor who is unable to attend the Meeting but would like to vote, may inform his CPF Approved Nominees to appoint the Chairman of the Meeting to act as his proxy, in which case, the CPF Investor shall be precluded from attending the Meeting.

   * A Relevant Intermediary is:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 October 2019.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Edna Ko Poh Thim
(Executive Chairman)

Robert Dompeling
(Group Chief Executive Officer)

Wong Peng
(Non-Executive and Non-Independent Director)

Dr Foo Fatt Kah
(Lead Independent Director)

David Wong Cheong Fook
(Independent Director)

Tan Whei Mien, Joy
(Independent Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

David Wong Cheong Fook
Chairman

Dr Foo Fatt Kah

Tan Whei Mien, Joy

NOMINATING COMMITTEE

Tan Whei Mien, Joy
Chairman

Dr Foo Fatt Kah

David Wong Cheong Fook

REMUNERATION COMMITTEE

Dr Foo Fatt Kah
Chairman

Tan Whei Mien, Joy

David Wong Cheong Fook

COMPANY SECRETARY

Abdul Jabbar Bin Karam Din, LLB (Hons)

SHARE REGISTRAR

RHT Corporate Advisory Pte. Ltd.

30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

INDEPENDENT AUDITORS

Ernst & Young LLP Public Accountants and Certified Public Accountants

One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge : Mr Ng Boon Heng
(since financial year ended 30 June 2017)

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

21 Collyer Quay
#08-01 HSBC Building
Singapore 049320

Oversea-Chinese Banking Corporation Limited

63 Chulia Street
#06-00 OCBC Centre East
Singapore 049514

REGISTERED OFFICE

21 Shipyard Road
Singapore 628144
Tel : +65 6268 9788
Fax : +65 6268 9488
Website : www.peceng.com

COMPANY REGISTRATION NUMBER
198200079M

PEC LTD.

(Co. Registration No.:198200079M)

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F +65 6268 9488

Investor enquiries:
ir@peceng.com

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