

Annual Report
2017

# Driving Excellence Harnessing Synergies

PEC LTD.

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# Driving Excellence Harnessing Synergies



## Introduction

At PEC, we are committed to growing our business in a sustainable manner to create long-term value for our stakeholders. Since our inception in 1982, we have worked tirelessly to establish ourselves as a trusted integrated provider of maintenance services and project works and have since built up a proven track record and strong reputation both locally and globally.

To fortify our brand equity, we will continue driving excellence by developing a multi-skilled workforce, adding complementary capabilities to our already wide range of service offerings, as well as focusing on innovation to improve the efficiency and quality of our project delivery.

To expand our presence, we will continue harnessing synergies by leveraging on our facilities, networks and capabilities to strengthen and advance our brand in both existing and promising new markets.

**OIL & GAS**



**PETROCHEMICALS**





**OIL & CHEMICAL TERMINALS**



**PHARMACEUTICALS**

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 'onestop' 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 comprising about several thousand pieces of engineering equipment, we can cross-deploy our resources quickly and effectively, giving us the flexibility to respond promptly to customer needs and compete confidently for project work.



**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, serving our clients 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 Capabilities

We continually enhance our operational efficiencies by deploying state-of-the-art proprietary software platforms that optimise our executive information system (EIS) and procurement, engineering, construction & maintenance management (PECMmt) infrastructure. Augmenting our existing engineering capabilities sharpens our competitive edge, by enabling us to offer customers the most cost-effective solutions in terms of concept, design and management.

## 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.



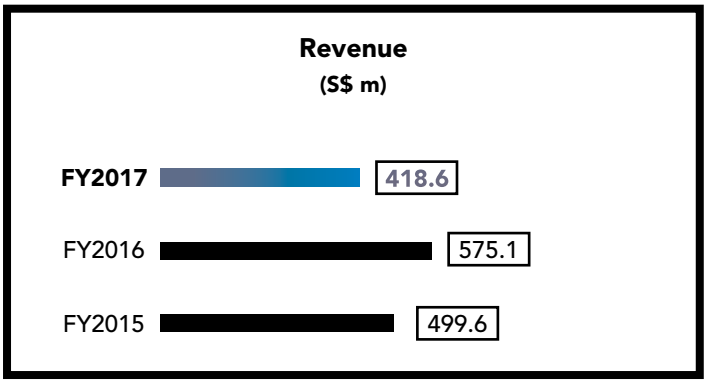
S$
15.7m
Net Profit
Attributable to
Owners of the Company

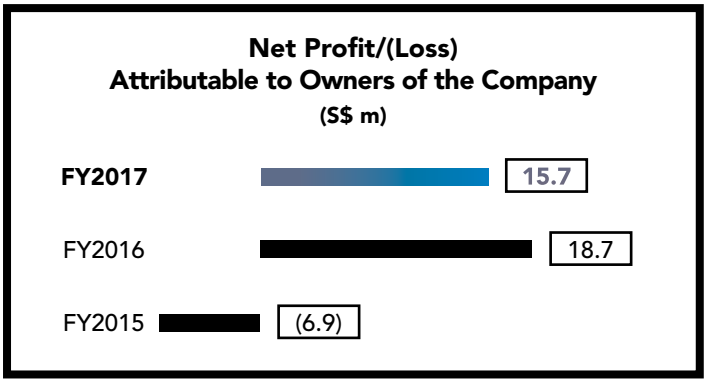
# Excellence

## Our People, Our Practices

Always adding to the capabilities and expertise of our people;
Always upholding high standards in quality, safety and health;
Always innovating and improving our practices and methodologies.

# Financial Highlights




| KEY FINANCIAL RATIOS | FY2015 | FY2016 | FY2017 [1] |
|---|---|---|---|
| Earnings per Share (cents) [2] | (2.7) | 7.4 | 6.2 |
| Net Asset Value per Share [3] (cents) | 80.4 | 86.7 | 89.0 |
| Gross gearing (%) [4] | 14.1 | 8.3 | 4.2 |
| | | As at 30 June | |
| **BALANCE SHEET (S$ million)** | **FY2015** | **FY2016** | **FY2017** |
| Non-current assets | 117.2 | 110.5 | 99.6 |
| Current assets | 288.4 | 289.6 | 276.3 |
| Current liabilities | 172.6 | 156.2 | 131.5 |
| Non-current liabilities | 14.7 | 11.6 | 10.5 |
| Shareholders' equity | 205.0 | 219.4 | 226.6 |
| Minority Interest | 13.3 | 12.9 | 7.3 |
| **CASHFLOW STATEMENT (S$ million)** | **FY2015** | **FY2016** | **FY2017** |
| Net cash (used in)/generated from operating activities | 32.5 | 56.4 | (25.7) |
| Net cash (used in)/generated from investing activities | (15.0) | 1.7 | (4.7) |
| Net cash (used in)/generated from financing activities | 12.4 | (17.5) | (15.0) |
| Cash & cash equivalents at beginning of financial year | 82.2 | 113.0 | 150.6 |
| Cash & cash equivalents at end of financial year | 113.0 | 150.6 | 107.0 |

Notes :
(1) In FY2017, PEC reissued 1,492,192 treasury shares. As at 30 June 2017, PEC has 254,617,792 issued shares excluding treasury shares.
(2) EPS is computed using the net profit attributable to owners 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 owners of the Company) by the issued shares excluding treasury shares 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.

# Chairman's Message

**6.2 S¢**

**Earnings Per Share**

**The year marked several milestones for PEC. Topping the list was the strategic win in Vietnam of a single daily maintenance contract for the US$9 billion Nghi Son Refinery and Petrochemicals Complex.**

## Dear Shareholders,

The Group focused on delivering well on existing projects and turnaround maintenance works in the financial year ended 30 June 2017 (FY2017), enabling us to achieve a revenue of S$418.6 million. Group net profit after tax came in at S$13.9 million against the previous year's S$22.3 million due mainly to the completion of several overseas project works in FY2016.

The year marked several milestones for PEC. Topping the list was the strategic win in Vietnam of a single daily maintenance contract for the US$9 billion Nghi Son Refinery and Petrochemicals Complex (NSRP Complex), the nation's second refinery and one of Southeast Asia's largest to date. The award is a clear affirmation of the new client's faith in our long expertise in maintenance, a cornerstone of PEC's business, as well as our proven track record in executing and delivering engineering, procurement & construction (EPC) projects.

## DRIVING EXCELLENCE, HARNESSING SYNERGIES

Today, the Group runs a closely interwoven network of engineering, fabrication and maintenance facilities in eight countries, serving clients in sectors such as oil & gas, pharmaceuticals and tank terminals. Many have remained with us for years, because they know we can deliver on time, every time, and satisfy clients' requirements without compromising on safety or quality.

We are planning to invest in our ninth integrated fabrication and maintenance facility in Vietnam's key petroleum and industrial hub in the Nghi Son Economic Zone, adding to our already strong network of such bases in strategic markets. The plan to invest in this new facility will harness the synergies between our EPC and maintenance capabilities to grow not just our business, but to also strengthen our name and reputation in the country.

At PEC, we believe people are our greatest asset and we invest in our staff at every step of their careers. In our efforts to pursue excellence, we initiated several ongoing training programmes, bringing in highly regarded experts and professionals whose invaluable experience and specialised knowledge will advance our efforts to drive innovation and growth.

The Group has always embraced advances in technology which can enhance the quality of our services as well as boost efficiency and productivity at our worksites. One such example is our adoption of laser point cloud technology to provide our customers with virtual 3D process plant models. These as-built models provide detailed and updated layouts of existing facilities, enabling us to efficiently define precise job scopes for repair, maintenance, installation, construction and turnaround work.

## PROSPECTS AND OUTLOOK

Although there is a firm level of enquiries for project works and these jobs are expected to materialise within the next two years, we expect FY2018 to be another challenging year for the industry. We will continue to focus our efforts on growing the maintenance services division, our core business since 1982.



PEC has weathered industry downcycles before, so we will not lose sight of our long-term goals. We will press on with Group-wide efforts to deliver excellence and innovation as we grow our brand across Asia and the Middle East, deepening our foothold while tracking opportunities in promising new segments in order to achieve sustainable growth for the business.

## PROPOSED DIVIDEND

We would like to thank our loyal shareholders for staying with us during this difficult period. As such, the Board has proposed a final tax-exempt, one-tier dividend of 2.0 S¢ as well as a special dividend of 0.5 S¢ per ordinary share, bringing the total dividend to 2.5 S¢ for FY2017. If approved by shareholders at the Annual General Meeting to be held on 27 October 2017, the total payout will come to S$6.4 million.

## ACKNOWLEDGMENTS AND APPRECIATION

To Mr Wong Peng, who has retired as Managing Director but will remain with us as a Non-Executive and Non-Independent Director cum Advisor, as well as Mr Chia Kim Huat, who will be stepping down as Independent Director, we offer our heartfelt thanks for their invaluable contributions to PEC.

On behalf of the Board, I thank all our staff for their dedication to PEC, their readiness to persevere and to deliver their very best. Your commitment to the Group has enabled us to push on with our drive for excellence even amid the industry challenges, and we will continue to press forward to achieve our goals for the future.

To our shareholders and business partners, I must extend my gratitude for your continued backing and your steadfast faith in us. Your confidence in our ability to rise above the challenges will strengthen our resolve to harness every resource we have in hand to strengthen our standing in the industry and expand our presence in key markets.

**Edna Ko Poh Thim**
Executive Chairman

# Board of Directors

## 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 cum Advisor

Mr Wong is our Non-Executive and Non-Independent Director cum Advisor 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 management company specialising in Healthcare and Resources. He is currently a non-executive director of 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.

## Chia Kim Huat

Independent Director

Mr Chia is one of our independent directors and has been on the board since June 2009. He is a very experienced lawyer with extensive knowledge of capital market transactions, cross-border joint ventures, private equity investments, mergers and acquisitions, and corporate and banking transactions. Mr Chia is currently the Regional Head of the Corporate and Transactional Practices at Rajah & Tann Singapore LLP. He is also a council member of the Singapore Chinese Chamber of Commerce and Industry and an independent director of SATS Ltd, Ascendas Hospitality Fund Management Pte Ltd and Ascendas Hospitality Trust Management Pte Ltd.

Mr Chia obtained his bachelor of law (honours) from the National University of Singapore, and is a member of the Singapore Academy of Law and The Law Society of Singapore.

## 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, Energy Market Company Pte Ltd, PacificMas Bhd 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 fellow of the Institute of Singapore Chartered Accountants.







## Geographic Presence

**Our established and strategically located network of engineering facilities spans two regions, reaching and serving clients in nine countries.**

### Middle East

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

### Asia

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






# Synergies

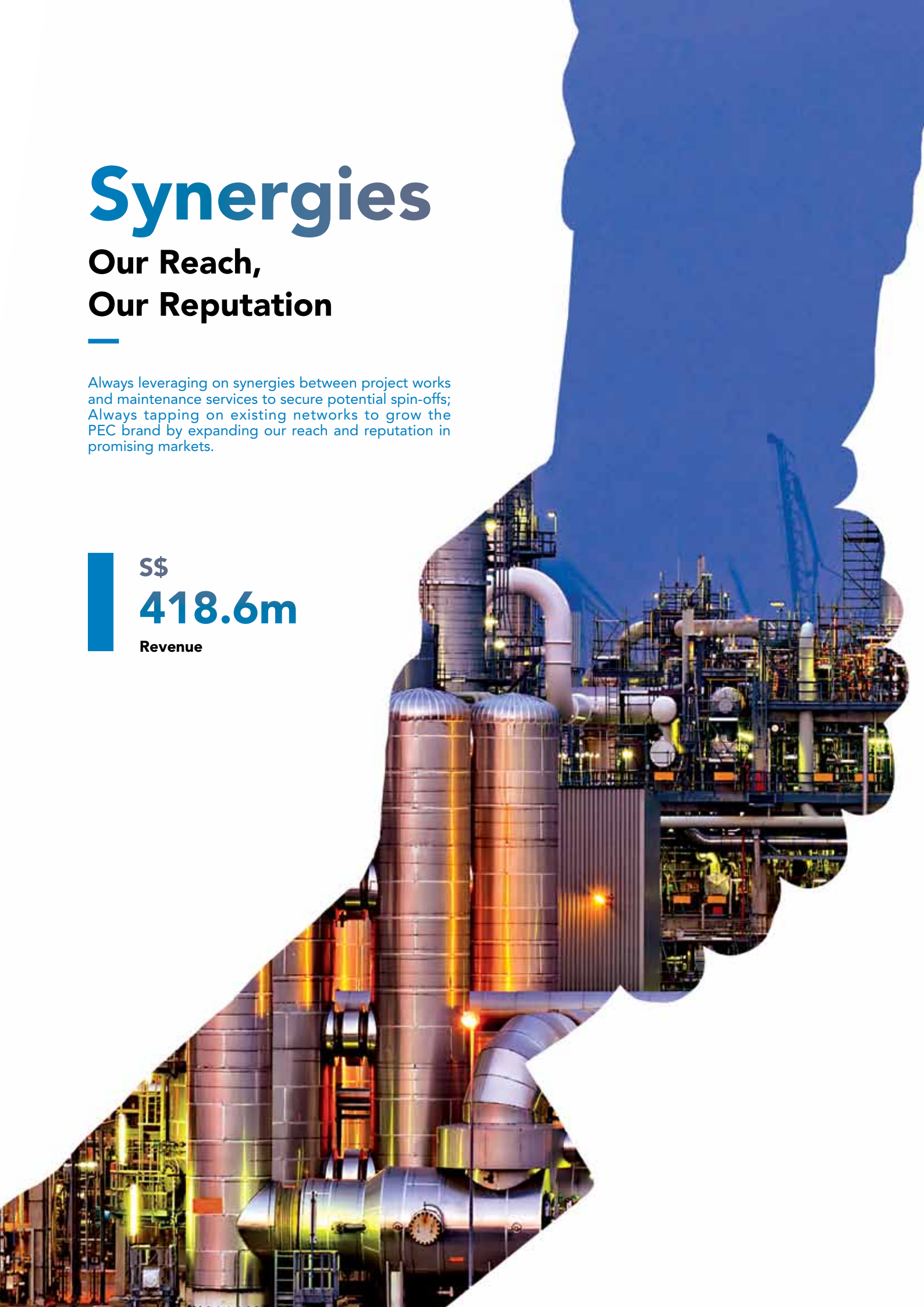
## Our Reach, Our Reputation

Always leveraging on synergies between project works and maintenance services to secure potential spin-offs; Always tapping on existing networks to grow the PEC brand by expanding our reach and reputation in promising markets.

**S$**

**418.6m**

**Revenue**



# CEO'S Message

## Dear Shareholders,

Although there was a steady level of enquiries for project works in the region during the year, the industry was beset by intense price competition. Despite this, we persisted in our efforts to grow our overseas maintenance footprint as part of our strategy to replicate our proven maintenance cum project works business model in promising markets, as well as develop the core of our operations – our people.

## FINANCIAL REVIEW

### Revenue and Profit

PEC reported a revenue of S$418.6 million for the financial year ended 30 June 2017 (FY2017), supported by the maintenance services division. The improved level of maintenance activities helped to offset the reduction in project works. Net profit after tax came in at S$13.9 million against S$22.3 million in FY2016.

**We persisted in our efforts to grow our overseas maintenance footprint as part of our strategy to replicate our proven maintenance cum project works business model in promising markets, as well as develop the core of our operations – our people.**

**89.0 S¢**

**Net Asset Value Per Share**

### Balance Sheet and Cashflow Statements

PEC recorded an operating cashflow before working capital changes of S$27.3 million in FY2017 against the previous year's S$39.7 million. However, the challenging operating environment resulted in longer receivable days. Of the trade receivables of S$113.8 million as at 30 June 2017, approximately S$70.1 million relates to past due receivables.

The Group also invested S$4.9 million in construction equipment to support our operations, repaid S$6.1 million in borrowings and made dividend payments totalling S$8.9 million. Even though there was a decrease in cash and cash equivalents of S$45.4 million, the Group maintained a healthy net cash position.

### Segmental Performance

Contribution from maintenance services grew by 23% to S$183.1 million due to ongoing maintenance activities in Singapore and overseas. This recurrent and steady income stream helped to buffer the lower contribution from overseas project works, which declined to S$234.8 million from S$424.9 million previously, following their completion in FY2016.

In terms of geographical contribution, revenue from Singapore grew 7.1% from S$235.7 million in FY2016 to S$252.4 million in FY2017 due to ongoing maintenance activities and project works in the country.

## BUSINESS REVIEW

### Growing Presence in Vietnam

The seven-year single daily maintenance contract from a new client, Nghi Son Refinery and Petrochemical Limited Liability Company (NSRP), is another major maintenance win for PEC as a single services provider for an entire facility and will provide a sturdy platform for us to grow our presence in the country. The NSRP Complex, owned by NSRP and situated in the Nghi Son Economic Zone (NSEZ), is Vietnam's largest integrated refinery and petrochemical project, with an annual refining capacity of 10 million tons.

Since the contract started in January 2017, PEC has swiftly mobilised a strong engineering and technical team to provide an extensive range of maintenance services for the entire NSRP Complex. Having carried out such work at similar refineries in Singapore and elsewhere in the world, we are confident we can draw on PEC's long experience and strong track record to execute this contract well.

To support the maintenance and turnaround works on the refinery, the Group is in the process of acquiring a plot of land opposite the NSRP Complex, where we plan to construct a purpose-built office, fabrication yard, engineering workshops and training centre that will facilitate work on the NSRP Complex as well as PEC's future expansion in Vietnam.

### Adding Capabilities and Expertise

We are continuously expanding and upgrading the skills and capabilities of our people through a range of training programmes and courses. In Vietnam, for example, we have already sent a dedicated team from Singapore to train the local workforce with the necessary skills and expertise. Our purpose-built training centre, when ready, will give us greater flexibility and capacity to equip our people with multi-disciplinary skills in maintenance as well as other engineering and construction works.

Through our ongoing Multi-Skill Incentive Programme, we have made significant progress in equipping our teams with multiple skill sets that will enhance their ability to take on diverse tasks wherever they are deployed, thereby adding value to our clients as well as improving productivity and efficiency at work.

In addition, the year has seen the Group strengthening the management team by bringing in experienced and highly regarded experts and professionals in key specialised areas of engineering and maintenance services that will add to our competitive advantage. We believe taking such measures will sharpen our edge and bolster our efforts to expand in both existing and adjacent industries such as power and cryogenics.



Hand in hand with our strategy to uphold excellence in our capabilities and expertise, we have also continued to focus on ensuring the welfare, health and safety of our people. Over the years, we have garnered numerous national accolades on this front. This time around, we were conferred 11 awards, including our first Innovation (Gold) by the Association of Process Industry (ASPRI) in collaboration with the Workplace Safety and Health (WSH) Council – a testament to our effectiveness in safeguarding the well-being of every member of our team.

### Driving Innovation

PEC is always seeking to innovate by tapping new technologies that can enhance the quality and efficiency of the services we offer. As part of one such initiative, we have stepped up the use of laser point cloud technology, employing 3D laser scanning to formulate 2D drawings and 3D computer-aided design (CAD) models of existing facilities such as storage tanks, plants and refineries. These scans provide us with precise and updated information about a facility's engineering layout and design, so that we can optimise results from the actual work undertaken in repair, maintenance, installation, construction and turnaround jobs. We are also able to estimate project costing more accurately, thereby enhancing cost-effectiveness and productivity.

## LOOKING AHEAD

Despite the keen competition for project works, the diverse range of industries that PEC currently serves as well as our strengths in engineering and maintenance services have helped cushion us against the downturn in the oil & gas sector.

Although we expect market conditions to remain difficult in FY2018, investments are gaining momentum in Southeast Asia and the Middle East for the near to medium term. Meanwhile, revisions to environmental and energy regulatory frameworks around the world are driving the need for infrastructure overhauls or even all-new infrastructure, such as specialised terminals for the storage of sulphur extracted from refining crude oil, as well as more liquefied petroleum gas (LPG) and liquefied natural gas (LNG) facilities.

Bearing these factors in mind, we believe we can once again harness synergies from our existing capabilities and networks to build a name for ourselves in new segments, even as we add to our track record in maintenance and project works, where we are already an established player.

### Middle East

The United Arab Emirates (UAE) is still an important market for EPC investments and there is a rising need for maintenance services. As we have already established ourselves firmly there in terms of EPC work, we are confident that we can move quickly to capture opportunities for maintenance services, backed by our extensive experience and our existing engineering facility in this area. However, competition has increased, so we will remain prudent in bidding for contracts.

Apart from growing our presence in Abu Dhabi and Fujairah, we are also exploring other opportunities in the country and around the region.

### Southeast Asia

Vietnam has a relatively stable political climate and existing infrastructure, as well as plans to spend more than US$6 billion to build a strategic petroleum reserve while expanding commercial storage for crude oil and oil products by 2025[1]. These factors make Vietnam a prime site for further investment and growth in the downstream and petrochemical industries, especially for construction and EPC work.

The NSEZ alone is expected to encompass an area of 106,000 hectares about 200 km south of Hanoi. This dynamic economic development zone, served by a deep-sea port, will be focused on petroleum refineries and basic industries. Our current foothold there thus gives us significant leverage to tap this promising market.

There are also a number of EPC opportunities in Myanmar and Indonesia for infrastructure development. Our experience in handling EPC projects there, in addition to the support provided by our local fabrication and maintenance facilities, will position us well in bidding for new contracts.

In Malaysia, the ongoing refinery and petrochemical integrated development projects continue to offer opportunities for the provision of projects works and maintenance services.

In Singapore, we expect to see an increase in investments in the next two years, especially in oil refining and petrochemical infrastructure as well as upgrading of existing plants to meet the new environmental and emission standards[2], which will present opportunities for PEC. In addition, existing refineries and petrochemical complexes require upkeep, supporting demand for maintenance services.

**Robert Dompeling**
Group Chief Executive Officer

1 The Business Times, 28 July 2017: Vietnam plans to spend over US$6b for crude oil, fuel storage

2 National Climate Change Secretariat, 2016: Singapore aims to reduce emissions intensity by 36% below 2005 levels by 2030 and stabilise emissions with the aim of peaking around 2030. The industry sector accounts for more than half of Singapore's greenhouse gas emissions. From 2018 onwards, industrial firms must use internationally recognised methodologies and standards to measure and report their greenhouse gas emissions. This requirement aims to increase Singapore's industrial energy efficiency improvement rate, to be in line with the targets stated in the Singapore Climate Action Plan released in 2016.

## Corporate Social Responsibility




**At PEC, we never allow ourselves to forget that our people are the lifeblood of the organisation. Their dedication to excellence has secured the confidence of even the most demanding clients, enabling us to build a track record that speaks for itself in the industry.**







**Setting Ever Higher Standards for Safety**

At PEC, we are continually reviewing and refining our risk management practices and systems to identify and eradicate potential hazards. On this front, our staff have been quick to highlight issues that need to be addressed, enabling our safety managers to act swiftly to avert accidents and find viable solutions.

For 2017, our Health, Safety, Security and Environment (HSSE) Action Plan has focused on deepening channels of communication to encourage greater feedback and promote wider awareness, as well as tracking performance through frequent cross-audits and monitoring and review mechanisms. The main thrust of the plan is to ensure continued improvement and develop a sustainable approach to setting integral targets and shaping effective countermeasures. These initiatives have already allowed us to strengthen safety processes across the Group through heightened information exchange and staff collaboration.

Such efforts to safeguard the well-being of all our staff have long been recognised by the industry. For 2017, PEC was conferred 11 awards in all by the Workplace Safety and Health (WSH) Council. Landing two WSH Performance Awards (Silver) and six accolades in the Safety and Health Award Recognition for Projects (SHARP) category for worksites demonstrates clearly that our safety and health management systems stand out across the sector.

We also brought home a WSH Innovation Award for a new laser-marking system that has improved speed and accuracy while reducing noise exposure. The mobile unit – jointly developed with the Agency for Science, Technology and Research (A*STAR) – is not only easy to use but also requires less manpower and limits exposure to on-site hazards.

Meanwhile, two of our subsidiaries each secured a WSH Risk Management Award. Testing Inspection & Solution Pte. Ltd. was lauded for the second time, having continued to uphold risk management practices that complement the wide range of heat treatment and inspection services it offers. For ISOTECH Pte. Ltd., the award was its first, testifying to its success in designing rigorous risk management systems that ensure worker safety in its provision of testing and isolation services.

Other commendations for our excellence in safety include a 2017 Safe Contractor of the Year Award from a global engineering client for a LNG project in Bintulu, Sarawak, where we successfully clocked in 2.8 million man-hours without a single lost-time injury over a two-year period.

Such acknowledgment of our commitment to upholding the highest safety and health standards has spurred us on to enhance our systems and processes even further. In quality management systems, five of our companies have already achieved certification to the latest ISO 9001:2015 standards. One of these subsidiaries has also been certified to ISO 14001:2015 standards for environmental management systems. Meanwhile, efforts are ongoing to upgrade our occupational health and safety management systems from OHSAS 18001 to the new ISO 45001 standards.

In other arenas, we previously earned accreditations from the American Society of Mechanical Engineers (ASME) for the manufacture, repair and servicing of pressure vessels and power boilers. In addition, the US National Board of Boiler and Pressure Vessel Inspectors granted us an R-stamp certificate after reviewing our quality control systems. This year, our target is to achieve an ASME U2 stamp, by satisfying even more stringent requirements for pressure vessels.

**Ramping Up Our Mission to Champion Our People**

At PEC, we never allow ourselves to forget that our people are the lifeblood of the organisation. Their dedication to excellence has secured the confidence of even the most demanding clients, enabling us to build a track record that speaks for itself in the industry. Such care and resolution should be matched by every effort on our part to help them pursue their own dreams, giving them ample means to stay fit and focused as they build a brighter future for themselves and their families.







Two major initiatives directed at fostering sound minds and sound bodies are being introduced across the Group. To help staff deal successfully with issues that could range from work overload to problems at home, the Mental Stress Management Programme has been designed to help them recognise problems early, through a dedicated team that will spearhead the effort while regularly monitoring outcomes. The Ergonomics Management Programme will also be led by a dedicated team, which will focus on occupational diseases such as repetitive strain injuries and visual impairments.

Meanwhile, we continue to offer health screenings and programmes aimed at enabling staff to balance the demands of work and family. Key efforts for the year included Lose to Win, a 12-week direct intervention scheme to help participants manage weight issues. Keep Fit classes were expanded to include kayaking and piloxing (an exciting new workout that combines pilates, boxing and dance), while rock climbing, paintball and bowling challenges continued to draw enthusiasts. Another popular event was our Fruits Day, held every year to distribute free produce to staff as part of wider efforts aimed at encouraging them to eat healthy.

**Persevering with Our Commitment to a Green Earth**

Safeguarding the environment for future generations continues to be a major imperative at PEC – one that we have conscientiously integrated into our business operations across the Group. We track our ecological footprint closely, seeking out new ways to limit waste and energy consumption so that we can better protect the world's natural resources. All our worksites comply with widely accepted international standards, with efforts being under way to transition to the latest ISO 14001:2015 specifications for maintaining robust environmental management systems.

One such initiative was the Reduce, Reuse and Recycle (3R) Programme, which was rolled out in the various locations and expanded to include our worksites. To push forward our efforts on this front, a dedicated team led by our environmental control officers and other key staff has been tasked with developing new Group-wide schemes to manage waste and conserve resources.

Our staff have been no less resolute in their own efforts to limit the growing impact of human activities on the environment. Many signed up for the Group's coastal cleaning-cum-cycling day, held yearly at East Coast Park, where they worked tirelessly to remove trash and debris that could mar Singapore's beaches and undermine marine ecosystems. Others were keen to volunteer for a National Parks Board drive to clean up mangrove habitats at Pasir Ris Park. The Mangrove Boardwalk there is a favourite among visitors who want to learn more about endangered plant species while enjoying the fauna making their home in the carefully preserved swamp forest.

**Renewing Our Drive to Support the Community**

Over the years, our people have demonstrated their eagerness to help those in need, bolstering PEC's efforts to work towards a truly inclusive society where every individual has a valued role to play. Inspired by their passion and generosity of heart, we have broadened our community service initiatives, working with leading welfare groups in Singapore to provide much-needed support to the disadvantaged.

Some fresh initiatives saw us join hands again with RSVP Singapore, a non-profit organisation that actively engages seniors in volunteer work for community service programmes across the island. For the Mid-Autumn Festival last year, our people teamed up with RSVP members to hold a mooncake-making day for beneficiaries of the Down Syndrome Association. This year, we enjoyed a baking workshop together at the kitchens of bakery specialist Phoon Huat, where we filled goodie bags with freshly made cookies to distribute to seniors at the Bright Hill Evergreen Home during our visit there.

Our long-running partnership with the Singapore Children's Society (SCS) was renewed at its annual Walk for Our Children, held to raise funds for those who receive holistic support from its many centres islandwide. We also organised a recreational outing for the children under the care of SCS, taking them to the Orchid Bowl at The Chevrons for a fun-filled bowling session.

During Christmas, we once again organised the much-loved Kris Kringle event for Club Rainbow, a non-profit group whose mission is to support and empower chronically ill children and their families. The Group was pleased to add to the festivities by sponsoring gifts for 40 kids at the Toys "R" Us flagship store in VivoCity, while our volunteers were on hand throughout to accompany the children and help make the event a resounding success.

Taking part in these wide-ranging outreach initiatives not only gave our people a chance to give back to the community, but also strengthened their own bonds within the Group, as they came together to brighten and enrich the lives of children, seniors and families in need of a helping hand.

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# 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**"). 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 corporate governance framework and practices of the Company with reference to the specific principles and guidelines of the Code of Corporate Governance 2012 (the "**Code**").

This report should be read in totality, instead of being read separately under each principle of the Code.

## (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's 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**") (previously the Audit Committee ("**AC**"));
- 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 judgement 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 will oversee the Group's sustainability reporting framework by monitoring the environment, social and governance issues that impact the Group's sustainability of its business.

*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 the year ended 30 June 2017 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 | 1 | 1 | 1 | 1 |
| Chia Kim Huat | 4 | 4 | 4 | 4 | 1 | 1 | 1 | 1 |
| David Wong Cheong Fook | 4 | 4 | 4 | 4 | 1 | 1 | 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 Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Group's corporate strategies, major investments, review of the Group's financial performance, interested parties 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.

# Corporate Governance Report

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 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.

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 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:

Executive Directors

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

Non-Executive Directors

| | |
|---|---|
| Dr Foo Fatt Kah | (Lead Independent Director) |
| David Wong Cheong Fook | (Independent Director) |
| Chia Kim Huat | (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 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.

# Corporate Governance Report

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 judgement and that there are no relationships which are likely to affect or could appear to affect the Directors' judgement. The Code requires the independence of any Director who has served on the Board for more than nine years to be rigorously reviewed. There are no Independent Directors who have served the Board for more than nine years.

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. 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.

# Corporate Governance Report

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.

**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 of entirely Non-Executive and Independent Directors:

Chia Kim Huat (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 identify candidates and review all nominations for the appointment or re-appointment of members of the Board and the Group CEO, and to determine the selection criteria;
- to ensure that all Board appointees undergo an appropriate induction programme;
- 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 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;
- to decide whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly where the Director has multiple board representations;
- to review and determine the independence of each Director annually;
- 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; and
- to 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.

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

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.

# Corporate Governance Report

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 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.

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, Mr Chia Kim Huat and Mr Wong Peng will retire at the forthcoming annual general meeting ("**AGM**"). Mr Chia Kim Huat has indicated his intention not to seek re-election at the forthcoming AGM.

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 | Not Applicable. |
| Robert Dompeling | Group Chief Executive Officer | 1 July 2007 | 13 November 2015 | None | None | None | Not Applicable. |
| Wong Peng | Non-Executive and Non-Independent Director | 23 December 1988 | 28 October 2014 | None | None | None | Retirement by rotation (Article 114) |
| Dr Foo Fatt Kah | Lead Independent Director | 25 June 2009 | 13 November 2015 | None | Variscan Mines Ltd (ASX-listed) | Managing Director of Luminor Capital Pte Ltd | Not Applicable. |
| Chia Kim Huat | Independent Director | 25 June 2009 | 28 October 2014 | SATS Ltd | Ascendas Fund Management (S) Ltd | Partner of Rajah & Tann Singapore LLP | Retirement by rotation (Article 114) |
| David Wong Cheong Fook | Independent Director | 8 January 2014 | 27 October 2016 | United Engineers Limited | United Engineers Limited | Chairman of Republic Polytechnic | 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 of entirely Non-Executive and Independent Directors:

Dr Foo Fatt Kah (Chairman)
Chia Kim Huat
David Wong Cheong Fook

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 Directors' fees to ensure that such fees are at acceptable competitive levels;
- to review and advise the Board on the terms of appointment and remuneration of its members, the Group CEO, key management personnel, senior management of the Group and all managerial staff who are related to any of the Directors or the Group CEO or substantial shareholders;
- to review the terms of the employment arrangements with the Management so as to develop consistent group wide employment practices subject to regional differences;
- to recommend to the Board in consultation with senior management and the Chairman of the Board, any long-term incentive scheme; and
- to review and approve any proposals or recommendations relating to senior management's remuneration.

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 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 13,347,764 shares have been granted under the Plan. Details of the Plan are set out in the Directors' Statement on pages 35 to 40.

**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.

# Corporate Governance Report

The Company has an employee share plan in place.

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 the financial year ended 30 June 2017 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$1,000,000 to S$1,250,000** | | | | | | |
| Edna Ko Poh Thim | 20% | 75% | 1% | 1% | 3% | 100% |
| Robert Dompeling | 20% | 75% | 1% | 1% | 3% | 100% |
| **Above S$750,000 to S$1,000,000** | | | | | | |
| Wong Peng[4] | 26% | 69% | 1% | 1% | 3% | 100% |
| **Below S$250,000** | | | | | | |
| Dr Foo Fatt Kah | – | – | 100% | – | – | 100% |
| Chia Kim Huat | – | – | 100% | – | – | 100% |
| David Wong Cheong Fook | – | – | 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 PEC Performance Share Plan.

(4) Mr Wong Peng retired as Managing Director of the Company on 31 August 2017, and was re-designated as a Non-Executive and Non-Independent Director on 1 September 2017.

*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** | | | | | |
| Chee Kok Shine | 43% | 52% | – | 5% | 100% |
| Toh Boon Chuan | 47% | 48% | – | 5% | 100% |
| Yeo Ker Soon | 60% | 40% | – | – | 100% |
| **Below S$250,000** | | | | | |
| Tan Teck Seng | 74% | 26% | – | – | 100% |
| Choo Eng Kuan | 70% | 22% | – | 8% | 100% |

(1) Conditional award of performance shares under the PEC Performance Share 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 S$1,423,526 for the financial year ended 30 June 2017.

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 the financial year ended 30 June 2017.

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 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 endeavors 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 AC of the Company 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 AC is now the ARMC.

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.

# Corporate Governance Report

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.

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 the financial year ended 30 June 2017 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 judgement 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 and compliance risks, as well as the Group's information technology control and risk management systems were adequate as at 30 June 2017.

Financial risks relating to the Group are set out in Note 40 to the financial statements of this annual report on pages 118 to 123.

# Corporate Governance Report

**ARMC (previously the AC)**

***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
Chia Kim Huat

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.

For the year under review, the ARMC held four (4) meetings with the Management and the external auditors, three (3) of which the internal auditors were present to discuss and review the following matters in accordance with its TORs, amongst others:

- the audit plans of the external and internal auditors of the Company, and their reports arising from the audit;
- the adequacy of the assistance and cooperation given by the Company's Management to the external and internal auditors;
- the financial statements of the Company and the consolidated financial statements of the Group;
- the quarterly and annual announcements of the results of the Group before submission to the Board for approval;
- the adequacy and effectiveness of the Group's internal controls addressing financial, operational, compliance and information technology risks and in respect of the management, business and service systems and practices;
- the adequacy and effectiveness of the Group's internal audit function;
- the cost effectiveness, independence and objectivity of the external auditors;

# Corporate Governance Report

- the approval of compensation to the external auditors;
- the nature and extent of non-audit services provided by the external auditors;
- the recommendation to the Board for the appointment or re-appointment of the external auditors of the Company;
- to report actions and minutes of the ARMC to the Board with such recommendations as the ARMC considers appropriate; and
- interested person transactions to ensure that the current procedures for monitoring of interested party transactions have been complied with.

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.

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 the financial year ended 30 June 2017 are disclosed under Note 7 on page 76 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.

# Corporate Governance Report

**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 shareholder 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.

**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.

# Corporate Governance Report

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 at 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.

## (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 the financial year ended 30 June 2017, the Company has complied with Rule 1207(19) of the Listing Manual.

# Corporate Governance Report

## (F) INTERESTED PERSON TRANSACTIONS

The aggregate value of the interested person transactions carried out during the financial year ended 30 June 2017 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 | 252 | NA |

## (G) MATERIAL CONTRACTS

Except as disclosed in Note 37 (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 2017.

## 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 2017 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
Chia Kim Huat
David Wong Cheong Fook

## 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 | 34,950,000 | 35,012,338 | 85,750,000 | 85,750,000 |
| Robert Dompeling | 670,000 | 732,338 | – | – |
| Wong Peng | 4,975,000 | 5,032,662 | – | – |
| Chia Kim Huat | 50,000 | 50,000 | – | – |
| 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 2017.

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.

# Directors' Statement

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

***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.

*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.

# Directors' Statement

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

***Principal Terms of the Plan (cont'd)***

*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 Chia Kim Huat and Mr David Wong Cheong Fook.

# Directors' Statement

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

***Principal Terms of the Plan (cont'd)***

As at 30 June 2017, the aggregate number of shares comprised in Awards granted pursuant to the Plan which have not been released amounted up to 11,855,572 (2016: 7,792,208) 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 of the Award, in respect of 62,338 Shares, has been released on 15 February 2017 |
| Robert Dompeling | 15 February 2016 | Up to 282,812 | The first tranche of the Award, in respect of 62,338 Shares, has been released on 15 February 2017 |
| Wong Peng | 15 February 2016 | Up to 282,812 | The first tranche of the Award, in respect of 57,662 Shares, has been released on 15 February 2017 |
| **For other employees of the Company** | 15 February 2016 | Up to 6,943,772 | |
| **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 |

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.

# Directors' Statement

## AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

The ARMC comprises entirely non-executive independent directors, namely, Mr David Wong Cheong Fook (Chairman), Mr Chia Kim Huat and Dr Foo Fatt Kah. 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
20 September 2017

# Independent Auditor's Report

**For the financial year ended 30 June 2017**
**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 2017, 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 Financial Reporting Standards in Singapore ("FRSs") 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 2017 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 2017**
**Independent auditor's report to the Members of PEC Ltd.**

**Accounting for construction contracts**

The Group accounts for its projects using the percentage of completion method. During the year, the Group recognised $234,758,249 of revenue from its construction contracts based on the percentage of completion method and as at year end, the Group has $6,167,381 contracts-in-progress (net of progress billings) and $38,850,714 progress billings in excess of costs. The stage of completion is measured by reference to the proportion of total contract costs incurred for work performed to date and the estimated total contract costs to complete. Significant management assumptions are required in estimating the total contract costs and the recoverable amount of variation works that affect the stage of completion computation 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 under construction 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 based on the percentage of completion calculations.
- Evaluated assumptions used by management in determining the percentage of completion of the projects, estimations to revenue and costs, and provisions for projects with foreseeable 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 and work-in-progress and their related disclosures in Notes 2.14 and 16.

**Impairment of trade receivables**

The Group's gross trade receivables balance was significant to our audit as they represent 49% of the total current assets in the consolidated balance sheet and the total trade receivables and related allowance for impairment of trade receivables amounted to $136,123,926 and $22,272,720 respectively. As trade receivables impairment assessment requires significant management judgement in assessing the customers' ability to pay, we determined that this is a key audit matter.

# Independent Auditor's Report

**For the financial year ended 30 June 2017**
**Independent auditor's report to the Members of PEC Ltd.**

**Impairment of trade receivables (cont'd)**

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.
- On a sample basis, obtained trade receivable confirmations and evidence of receipts from the customers subsequent to the year end.
- Evaluated management's assumptions and estimates used to determine the trade receivables impairment amount through testing of the accuracy of ageing of the trade receivables.
- 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 and liquidity risk in Note 19 and 40 to the consolidated financial statements.

**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 FRSs, 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.

# Independent Auditor's Report

**For the financial year ended 30 June 2017**
**Independent auditor's report to the Members of PEC Ltd.**

**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.

- 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.

# Independent Auditor's Report

**For the financial year ended 30 June 2017**
**Independent auditor's report to the Members of PEC Ltd.**

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

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
20 September 2017

# Consolidated Statement of Comprehensive Income

**For the financial year ended 30 June 2017**

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Revenue** | 4 | 418,578,862 | 575,077,607 |
| Cost of sales | | (334,697,522) | (468,941,708) |
| **Gross profit** | | 83,881,340 | 106,135,899 |
| Other operating income | 5 | 9,671,655 | 15,540,518 |
| **Other items of expenses** | | | |
| Administrative expenses | | (27,852,395) | (30,565,804) |
| Other operating expenses | | (50,380,856) | (62,495,131) |
| Finance expenses | 6 | (619,445) | (1,050,413) |
| Share of results of associate | | 587,186 | 409,553 |
| **Profit before tax** | 7 | 15,287,485 | 27,974,622 |
| Income tax expense | 8 | (1,405,595) | (5,693,505) |
| **Profit for the year** | | 13,881,890 | 22,281,117 |
| **Profit for the year attributable to:** | | | |
| Owners of the Company | 35 | 15,695,832 | 18,745,775 |
| Non-controlling interests | | (1,813,942) | 3,535,342 |
| | | 13,881,890 | 22,281,117 |
| **Other comprehensive income:** | | | |
| *Items that may be reclassified subsequently to profit or loss:* | | | |
| Net change in fair value reserve | 15 | (12,228) | (17,053) |
| Foreign currency translation | | (1,671,115) | (2,628,029) |
| **Other comprehensive income for the year, net of tax** | | (1,683,343) | (2,645,082) |
| **Total comprehensive income for the year** | | 12,198,547 | 19,636,035 |
| **Total comprehensive income for the year attributable to:** | | | |
| Owners of the Company | | 14,111,359 | 16,853,087 |
| Non-controlling interests | | (1,912,812) | 2,782,948 |
| | | 12,198,547 | 19,636,035 |
| **Earnings per share (cents per share)** | | | |
| Basic | 35 | 6.2 | 7.4 |
| Diluted | 35 | 6.1 | 7.3 |

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

# Balance Sheets

**As at 30 June 2017**

| | Note | Group 2017 $ | Group 2016 $ | Company 2017 $ | Company 2016 $ |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Property, plant and equipment | 9 | 83,723,111 | 94,052,209 | 43,123,239 | 48,116,864 |
| Investment properties | 10 | 7,372,148 | 7,639,712 | – | – |
| Intangible assets | 11 | 1,791,497 | 1,981,277 | 58,500 | 134,250 |
| Land use rights | 12 | 661,313 | 683,907 | – | – |
| Investment in subsidiaries | 13 | – | – | 41,494,594 | 31,758,661 |
| Investment in an associate | 14 | 4,964,919 | 4,805,503 | 354,320 | 354,320 |
| Investment securities | 15 | 5,865 | 18,093 | 5,865 | 18,093 |
| Loan due from a subsidiary | 21 | – | – | – | 11,895,672 |
| Deferred tax assets | 27 | 1,101,767 | 1,322,700 | 576,513 | 934,850 |
| | | 99,620,620 | 110,503,401 | 85,613,031 | 93,212,710 |
| **Current assets** | | | | | |
| Contracts-in-progress (net of progress billings) | 16 | 6,167,381 | 17,074,913 | 4,652,333 | 10,979,437 |
| Accrued income | 17 | 38,949,478 | 20,172,993 | 31,858,907 | 12,317,615 |
| Inventories | 18 | 276,525 | 620,969 | – | – |
| Prepayments | | 4,604,791 | 4,161,600 | 1,564,193 | 1,048,351 |
| Trade receivables | 19 | 113,851,206 | 87,438,965 | 51,251,090 | 53,208,949 |
| Other receivables and deposits | 20 | 5,457,937 | 9,485,501 | 7,324,822 | 8,640,158 |
| Amounts/loans due from subsidiaries | 21 | – | – | 6,966,123 | 7,952,158 |
| Bank deposits pledged | 22 | – | 50,525 | – | – |
| Cash and short-term deposits | 22 | 107,022,349 | 150,562,698 | 51,114,832 | 42,888,186 |
| | | 276,329,667 | 289,568,164 | 154,732,300 | 137,034,854 |
| **Total assets** | | 375,950,287 | 400,071,565 | 240,345,331 | 230,247,564 |

# Balance Sheets

**As at 30 June 2017**

| | Note | Group 2017 $ | Group 2016 $ | Company 2017 $ | Company 2016 $ |
|---|---|---|---|---|---|
| **Current liabilities** | | | | | |
| Progress billings in excess of costs | 16 | 38,850,714 | 45,168,951 | 512,000 | 1,473,600 |
| Provisions | 23 | 2,654,311 | 2,624,217 | 1,835,130 | 1,593,507 |
| Income tax payable | | 303,351 | 3,504,004 | – | 106,547 |
| Loans and borrowings | 24 | 787,908 | 8,652,577 | 55,839 | 25,317 |
| Trade payables | 25 | 27,010,570 | 31,138,773 | 20,547,424 | 15,505,539 |
| Other payables and accruals | 26 | 61,980,794 | 65,064,409 | 33,709,787 | 33,630,718 |
| | | 131,587,648 | 156,152,931 | 56,660,180 | 52,335,228 |
| **Net current assets** | | 144,742,019 | 133,415,233 | 98,072,120 | 84,699,626 |
| **Non-current liabilities** | | | | | |
| Provisions | 23 | 1,364,126 | 1,363,226 | 1,238,226 | 1,238,226 |
| Deferred tax liabilities | 27 | 426,938 | 756,057 | – | – |
| Loans and borrowings | 24 | 8,712,646 | 9,491,844 | 67,738 | 65,959 |
| | | 10,503,710 | 11,611,127 | 1,305,964 | 1,304,185 |
| **Total liabilities** | | 142,091,358 | 167,764,058 | 57,966,144 | 53,639,413 |
| **Net assets** | | 233,858,929 | 232,307,507 | 182,379,187 | 176,608,151 |
| **Equity attributable to owners of the Company** | | | | | |
| Share capital | 28 | 58,481,409 | 58,481,409 | 58,481,409 | 58,481,409 |
| Treasury shares | 28 | (213,902) | (822,467) | (213,902) | (822,467) |
| Statutory reserve | 29 | 2,553,128 | 1,085,454 | – | – |
| Retained earnings | | 170,020,660 | 163,420,341 | 123,702,910 | 118,648,086 |
| Fair value reserve | 30 | (11,785) | 443 | (11,785) | 443 |
| Premium paid on acquisition of non-controlling interests | 31 | (2,188,914) | (2,188,914) | – | – |
| Foreign currency translation reserve | 32 | (2,457,171) | (884,926) | – | – |
| Share-based compensation reserve | 33 | 420,555 | 300,680 | 420,555 | 300,680 |
| | | 226,603,980 | 219,392,020 | 182,379,187 | 176,608,151 |
| **Non-controlling interests** | | 7,254,949 | 12,915,487 | – | – |
| **Total equity** | | 233,858,929 | 232,307,507 | 182,379,187 | 176,608,151 |
| **Total equity and liabilities** | | 375,950,287 | 400,071,565 | 240,345,331 | 230,247,564 |

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 2017

| | 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** | | | | | | | | | | | | |
| **At 1 July 2016** | | 58,481,409 | (822,467) | 1,085,454 | 163,420,341 | 443 | 300,680 | (2,188,914) | (884,926) | 219,392,020 | 12,915,487 | 232,307,507 |
| Profit for the year | | – | – | – | 15,695,832 | – | – | – | – | 15,695,832 | (1,813,942) | 13,881,890 |
| ***Other comprehensive income*** | | | | | | | | | | | | |
| Net change in fair value reserve | 15 | – | – | – | – | (12,228) | – | – | – | (12,228) | – | (12,228) |
| Foreign currency translation | | – | – | – | – | – | – | – | (1,572,245) | (1,572,245) | (98,870) | (1,671,115) |
| Other comprehensive income for the year, net of tax | | – | – | – | – | (12,228) | – | – | (1,572,245) | (1,584,473) | (98,870) | (1,683,343) |
| **Total comprehensive income for the year** | | – | – | – | 15,695,832 | (12,228) | – | – | (1,572,245) | 14,111,359 | (1,912,812) | 12,198,547 |
| ***Contributions by and distributions to owners*** | | | | | | | | | | | | |
| Dividends on ordinary shares | 34 | – | – | – | (7,593,768) | – | – | – | – | (7,593,768) | (4,232,804) | (11,826,572) |
| Share issuance expense | | – | 608,565 | – | (34,071) | – | (574,494) | – | – | – | – | – |
| Grant of performance shares to employees | | – | – | – | – | – | 694,369 | – | – | 694,369 | – | 694,369 |
| **Total transactions with owners in their capacity as owners** | | – | 608,565 | – | (7,627,839) | – | 119,875 | – | – | (6,899,399) | (4,232,804) | (11,132,203) |
| ***Changes in ownership interests in subsidiaries*** | | | | | | | | | | | | |
| Liquidation of subsidiary | 13h | – | – | – | – | – | – | – | – | – | 485,078 | 485,078 |
| **Total changes in ownership interests in subsidiaries** | | – | – | – | – | – | – | – | – | – | 485,078 | 485,078 |
| ***Others*** | | | | | | | | | | | | |
| Transfer to statutory fund | | – | – | 1,467,674 | (1,467,674) | – | – | – | – | – | – | – |
| Total others | | – | – | 1,467,674 | (1,467,674) | – | – | – | – | – | – | – |
| **At 30 June 2017** | | 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 |

# Consolidated Statement of Changes in Equity

## For the financial year ended 30 June 2017

| | | 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 2015** | | 58,481,409 | – | 1,085,454 | 147,217,136 | 17,496 | – | (2,764,758) | 990,709 | 205,027,446 | 13,334,960 | 218,362,406 |
| Profit for the year | | – | – | – | 18,745,775 | – | – | – | – | 18,745,775 | 3,535,342 | 22,281,117 |
| ***Other comprehensive income*** | | | | | | | | | | | | |
| Net change in fair value reserve | 15 | – | – | – | – | (17,053) | – | – | – | (17,053) | – | (17,053) |
| Foreign currency translation | | – | – | – | – | – | – | – | (1,875,635) | (1,875,635) | (752,394) | (2,628,029) |
| Other comprehensive income for the year, net of tax | | – | – | – | – | (17,053) | – | – | (1,875,635) | (1,892,688) | (752,394) | (2,645,082) |
| **Total comprehensive income for the year** | | – | – | – | 18,745,775 | (17,053) | – | – | (1,875,635) | 16,853,087 | 2,782,948 | 19,636,035 |
| ***Contributions by and distributions to owners*** | | | | | | | | | | | | |
| Dividends on ordinary shares | 34 | – | – | – | (2,542,570) | – | – | – | – | (2,542,570) | (703,401) | (3,245,971) |
| Purchase of treasury shares | | – | (822,467) | – | – | – | – | – | – | (822,467) | – | (822,467) |
| Grant of performance shares to employees | | – | – | – | – | – | 300,680 | – | – | 300,680 | – | 300,680 |
| **Total transactions with owners in their capacity as owners** | | – | (822,467) | – | (2,542,570) | – | 300,680 | – | – | (3,064,357) | (703,401) | (3,767,758) |
| ***Changes in ownership interests in subsidiaries*** | | | | | | | | | | | | |
| Acquisition of subsidiary | 13d | – | – | – | – | – | – | – | – | – | 3,594 | 3,594 |
| Acquisition of non-controlling interests | 13e | – | – | – | – | – | – | 575,844 | – | 575,844 | (1,982,191) | (1,406,347) |
| Disposal of subsidiary | 13f | – | – | – | – | – | – | – | – | – | (1,192,154) | (1,192,154) |
| Subscription of shares in a subsidiary by a non-controlling interest | 13g | – | – | – | – | – | – | – | – | – | 671,731 | 671,731 |
| **Total changes in ownership interests in subsidiaries** | | – | – | – | – | – | – | 575,844 | – | 575,844 | (2,499,020) | (1,923,176) |
| **At 30 June 2016** | | 58,481,409 | (822,467) | 1,085,454 | 163,420,341 | 443 | 300,680 | (2,188,914) | (884,926) | 219,392,020 | 12,915,487 | 232,307,507 |

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 2017**

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Operating activities:** | | | |
| Profit before tax | | 15,287,485 | 27,974,622 |
| Adjustments for: | | | |
| Interest income | 5 | (1,118,231) | (1,095,761) |
| Net loss/(gain) on disposal of property, plant and equipment | 5/7 | 4,964 | (3,147,356) |
| Net gain on disposal of asset held for sale | 5 | – | (6,015,326) |
| Net gain on liquidation of subsidiaries | 5 | (360,436) | – |
| Net (gain)/loss on disposal of intangible assets | 5/7 | (75,499) | 3,079 |
| Write-back of allowance for impairment of trade receivables | 5 | (400,000) | – |
| Write-back of allowance for impairment of accrued income | 5 | – | (546,110) |
| Interest expense | 6 | 367,235 | 657,231 |
| Amortisation of land use rights | 7 | 24,391 | 25,885 |
| Amortisation of intangible assets | 7 | 139,905 | 148,801 |
| Depreciation of property, plant and equipment | 7 | 14,779,434 | 15,575,060 |
| Depreciation of investment properties | 7 | 183,646 | 185,147 |
| Impairment loss on property, plant and equipment | 7 | – | 211,418 |
| Impairment of trade and loan receivables | 7 | 706,000 | 2,983,109 |
| Impairment of accrued income | 7 | – | 521,157 |
| Provision, net | | (108,371) | (115,441) |
| Share of results of associate | | (587,186) | (409,553) |
| Share-based compensation expense | 7 | 694,369 | 300,680 |
| Unrealised exchange differences | | (2,283,623) | 2,409,897 |
| **Operating cash flows before changes in working capital** | | 27,254,083 | 39,666,539 |
| Decrease in contracts-in-progress and progress billings | | 5,358,920 | 17,502,133 |
| (Increase)/decrease in accrued income | | (18,758,034) | 4,345,599 |
| Decrease in inventories | | 26,660 | 104,051 |
| (Increase)/decrease in trade receivables, other receivables and deposits, and prepayments | | (27,713,205) | 7,092,846 |
| Decrease in trade payables, and other payables and accruals | | (8,047,810) | (8,954,073) |
| **Cash flows (used in)/generated from operations** | | (21,879,386) | 59,757,095 |
| Interest paid | | (367,235) | (657,231) |
| Interest received | | 1,118,231 | 1,095,761 |
| Tax paid | | (4,590,220) | (3,840,219) |
| **Net cash flows (used in)/generated from operating activities** | | (25,718,610) | 56,355,406 |

# Consolidated Cash Flow Statement

**For the financial year ended 30 June 2017**

| | Note | 2017 $ | 2016 $ |
|---|---|---|---|
| **Investing activities:** | | | |
| Purchase of property, plant and equipment | 9 | (4,880,092) | (11,785,481) |
| Acquisition of land use rights | 12 | – | (23,010) |
| Dividend income from an associate | | 427,770 | 245,000 |
| Net cash outflow from liquidation/disposal of subsidiaries | | (583,198) | (645,610) |
| Net cash outflow on acquisition of a subsidiary | | – | (78,372) |
| Proceeds from disposal of property, plant and equipment | | 178,927 | 5,869,214 |
| Proceeds from disposal of asset held for sale | | – | 8,096,636 |
| Proceeds from disposal of intangible assets | | 125,374 | 18,692 |
| **Net cash flows (used in)/generated from investing activities** | | (4,731,219) | 1,697,069 |
| **Financing activities:** | | | |
| Purchase of treasury shares | 28 | – | (822,467) |
| Dividends paid on ordinary shares | 34 | (7,593,768) | (2,542,570) |
| Dividends paid to non-controlling interests | | (1,288,797) | (135,000) |
| Repayment of loans and borrowings | | (6,148,701) | (12,867,045) |
| Proceeds from loans and borrowings | | – | 22,035 |
| Net cash outflow on acquisition of non-controlling interest | | – | (1,406,347) |
| Changes in bank deposits pledged | | 50,525 | 298,216 |
| **Net cash flows used in financing activities** | | (14,980,741) | (17,453,178) |
| Net (decrease)/increase in cash and cash equivalents | | (45,430,570) | 40,599,297 |
| Effect of exchange rate changes on cash and cash equivalents | | 1,890,221 | (3,042,351) |
| Cash and cash equivalents at 1 July | | 150,562,698 | 113,005,752 |
| **Cash and cash equivalents at 30 June** | 22 | 107,022,349 | 150,562,698 |

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 2017**

## 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 (FRS).

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.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 July 2018.

### *2.2 Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 July 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *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 |
|---|---|
| Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses* | 1 January 2017 |
| Amendments to FRS 7 *Disclosure Initiative* | 1 January 2017 |
| Amendments to FRS 102: Classification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| FRS 109 *Financial Instruments* | 1 January 2018 |
| FRS 115 *Revenue from Contracts with Customers* | 1 January 2018 |
| Amendments to FRS 115 *Clarifications to FRS 115 Revenue from Contracts with Customers* | 1 January 2018 |
| FRS 116 *Leases* | 1 January 2019 |

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for impairment of financial assets. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. FRS 109 requires the Group to record expected credit losses on all of its loans and trade receivables, either on a 12-month or lifetime basis. The Group does not expect a significant impact to arise from the application of the expected credit loss model, but it will need to perform a more detailed analysis which considers all reasonable and supportable information to determine the extent of the impact.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

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

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The principles in FRS 115 provide a more structured approach to measuring and recognising revenue, when the promised goods or services are transferred to the customer i.e. when the performance obligations are satisfied.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

Based on the Group's preliminary assessment, the adoption of this standard will not have a significant impact on the Group's results but it will need to perform a more detailed analysis based on the outstanding contracts at the beginning of the earliest period presented.

Transition

The following practical expedients are available when applying FRS 115 retrospectively.

- For completed contracts, an entity need not restate contracts that begin and end with the same annual reporting period or are completed contracts at the beginning of the earliest period presented.
- For completed contracts that have variable consideration, an entity may use the transaction price at the date the contract was completed rather than estimating the variable consideration amounts in the comparative reporting periods; and
- For contracts that were modified before the beginning of the earliest period presented, an entity need not retrospectively restate the contract for those contract modifications. Instead, an entity shall reflect the aggregate effect of all of the modifications that occur before the beginning of the earliest period presented when:
  - identifying the satisfied and unsatisfied performance obligations;
  - determining the transaction price; and
  - allocating the transaction price to the satisfied and unsatisfied performance obligations.
- For all reporting periods presented before the date of initial application, an entity need not disclose the amount of the transaction price allocated to the remaining performance obligations and an explanation of when the entity expects to recognise that amount as revenue

The Group plans to adopt the new standard on the required effective date using the full retrospective method and apply all the practical expedients available for full retrospective approach under FRS 115 as listed above.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

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

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, earnings before interest, tax, depreciation and amortisation ("EBITDA") and gearing ratio.

### *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 2017**

## 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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *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.

### *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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *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 derecognised 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 derecognised.

### *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 39 to 83 years.

Investment properties are derecognised 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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *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 indicates 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.

*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 derecognised.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *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 equals 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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *2.12 Associate (cont'd)*

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.

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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *2.14 Construction contracts*

Contract work-in-progress in the balance sheet comprises actual costs and profits recognised less provision for anticipated losses and progress billings and customers advances received.

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date to the estimated total budgeted costs.

Contract revenue – Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue, and they can be reliably measured.

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; cost of design, and technical assistance that is directly related to the contract.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *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 a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

*Subsequent measurement*

The subsequent measurement of financial assets depends on their classification as follows:

(i) *Loans and receivables*

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *2.16 Financial instruments (cont'd)*

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

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets include equity securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment loss.

*De-recognition*

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition 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 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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *2.16 Financial instruments (cont'd)*

*(b) Financial liabilities (cont'd)*

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 derecognised, and through the amortisation process.

*De-recognition*

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

### *2.17 Impairment of financial assets*

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

*(a) Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *2.17 Impairment of financial assets (cont'd)*

*(a) Financial assets carried at amortised cost (cont'd)*

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

*(b) Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor; (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs. 'Significant' is to be evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

### *2.18 Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank 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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *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.

### *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.

(c) *Equity compensation plans*

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

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *2.21 Employees benefits (cont'd)*

*(c) Equity compensation plans (cont'd)*

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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *2.22 Leases (cont'd)*

*(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 (e). Contingent rents are recognised as revenue in the period in which they are earned.

### *2.23 Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

*(a) Project revenue*

Contract revenue is recognised by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method). The accounting policy for construction contracts is set out in Note 2.14.

*(b) Revenue from maintenance services*

Revenue from maintenance services rendered is recognised by reference to the stage of completion of the maintenance contract. The stage of completion is determined by the proportion of costs incurred to date to the estimated total costs of the transaction.

*(c) Rendering of services*

Revenue from services rendered is recognised upon delivery of services and acceptance by customers.

*(d) Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

*(e) 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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *2.23 Revenue (cont'd)*

*(f) Interest income*

Interest income is recognised using the effective interest method.

*(g) 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.

### *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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *2.25 Taxes (cont'd)*

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

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.

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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

### *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 2017**

## 3. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, 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 judgements, 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 construction revenue*

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required in determining the total contract costs and the recoverable amount of variation works that affect the stage of completion and the amount of revenue recognised. In making these judgements, management has relied on past experience and knowledge of the project managers. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 16.

If the estimated total contract cost of major projects had been 10% higher/lower than management's estimate, the carrying amount of the net assets arising from major construction contracts would have been approximately $20,400,000 (2016: $17,300,000) lower and $21,200,000 (2016: $20,700,000) higher respectively.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 4. REVENUE

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Project revenue | 234,758,249 | 424,892,761 |
| Revenue from maintenance services | 183,137,904 | 149,291,449 |
| Rendering of services | 355,853 | 415,730 |
| Sale of goods | 80,700 | 205,471 |
| Rental of equipment | 8,049 | 16,111 |
| Rental income from investment property (residential) | 238,107 | 256,085 |
| | 418,578,862 | 575,077,607 |

## 5. OTHER OPERATING INCOME

| | | Group | |
|---|---|---|---|
| | Note | 2017 | 2016 |
| | | $ | $ |
| Net gain on disposal of property, plant and equipment | | – | 3,147,356 |
| Net gain on disposal of asset held for sale | | – | 6,015,326 |
| Net gain on disposal of intangibles assets | | 75,499 | – |
| Net gain on liquidation of subsidiaries | | 360,436 | – |
| Insurance claims | | 207,184 | 504,390 |
| Interest income from loans and receivables | | 1,118,231 | 1,095,761 |
| Rental income from investment property (commercial) | | 298,939 | 251,554 |
| Write-back of allowance for impairment of trade receivables | 19 | 400,000 | – |
| Write-back of allowance for impairment of accrued income | | – | 546,110 |
| Training income | | 154,546 | 184,674 |
| Income from sale of scrap material | | 446,227 | 735,740 |
| Sundry income | | 3,263,275 | 3,059,607 |
| Exchange gain, net | | 3,347,318 | – |
| | | 9,671,655 | 15,540,518 |

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

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 6. FINANCE EXPENSES

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Bank charges | 252,210 | 393,182 |
| Interest expense on finance leases | 13,815 | 24,626 |
| Interest expense on loans and trust receipts | 353,420 | 632,605 |
| | 619,445 | 1,050,413 |

## 7. PROFIT BEFORE TAXATION

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

| | Note | Group 2017 $ | Group 2016 $ |
|---|---|---|---|
| Audit fees: | | | |
| – Auditors of the Company | | 339,141 | 328,028 |
| – Other auditors | | 70,903 | 55,840 |
| Non-audit fees: | | | |
| – Auditors of the Company | | 61,000 | 87,410 |
| – Other auditors | | – | – |
| Employee benefits expenses (including directors' remuneration): | | | |
| – Wages, salaries and bonuses | | 134,636,097 | 161,455,995 |
| – Defined contribution expense | | 4,253,657 | 5,147,270 |
| – Share-based compensation expense | | 694,369 | 300,680 |
| – Other short-term employee benefits | | 9,520,921 | 5,892,756 |
| Other operating expenses: | | | |
| – Net loss on disposal of property, plant and equipment | | 4,964 | – |
| – Net loss on disposal of intangible assets | | – | 3,079 |
| – Impairment loss on property, plant and equipment | 9 | – | 211,418 |
| – Depreciation of property, plant and equipment | 9 | 14,779,434 | 15,575,060 |
| – Depreciation of investment properties | 10 | 183,646 | 185,147 |
| – Amortisation of intangible assets | 11 | 139,905 | 148,801 |
| – Amortisation of land use rights | 12 | 24,391 | 25,885 |
| – Impairment of trade receivables | 19 | – | 2,983,109 |
| – Impairment of loan receivables pertaining to a subsidiary under creditor liquidation | | 706,000 | – |
| – Impairment of accrued income | 17 | – | 521,157 |
| – Operating lease expense on leasehold land and properties | 38(b) | 2,566,587 | 3,321,696 |
| – Operating lease expense on office equipment | 38(b) | 73,182 | 56,121 |
| – Accommodation expenses | | 10,362,171 | 11,626,207 |
| – Exchange loss, net | | – | 3,231,653 |
| – Insurance | | 1,932,105 | 2,244,028 |
| – Maintenance, upkeep and repair of plant and equipment | | 3,453,444 | 4,735,259 |
| – Transport expenses | | 2,584,908 | 3,635,513 |
| – Personal protective equipment | | 2,101,737 | 1,920,931 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 8. INCOME TAX EXPENSE

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

| | Note | Group 2017 $ | 2016 $ |
|---|---|---|---|
| **Consolidated statement of comprehensive income:** | | | |
| Current income tax: | | | |
| – Current income tax | | 685,670 | 6,375,765 |
| – Over provision in respect of prior years | | (97,828) | (346,135) |
| | | 587,842 | 6,029,630 |
| Deferred income tax: | | | |
| – Origination and reversal of temporary differences | 27 | 793,855 | (1,704,124) |
| – Effect of reduction in income tax rate | 27 | – | 7,504 |
| – Reversal of previously recognised tax losses | 27 | – | 809,865 |
| – (Over)/under provision in respect of prior years | 27 | (909,369) | 222,629 |
| | | (115,514) | (664,126) |
| Withholding tax expense | | 933,267 | 328,001 |
| Income tax expense recognised in profit or loss | | 1,405,595 | 5,693,505 |

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:

| | | |
|---|---|---|
| Profit before tax | 15,287,485 | 27,974,622 |
| Tax at statutory tax rate of 17% (2016: 17%) | 2,598,872 | 4,755,686 |
| Adjustments: | | |
| Non-deductible expenses | 2,638,435 | 1,297,594 |
| Income not subject to taxation | (289,058) | (1,743,429) |
| Effect of differences in statutory tax rates | (2,110,685) | (459,151) |
| Benefits from previously unrecognised deferred tax assets | (1,586,641) | (83,367) |
| Over provision in respect of prior years | (1,007,197) | (123,506) |
| Effect of partial tax exemption and tax relief | (710,329) | (474,493) |
| Withholding tax on foreign sourced income | 933,267 | 328,001 |
| (Reversal of)/undistributed earnings of a subsidiary | (309,032) | 74,897 |
| Deferred tax assets not recognised | 1,351,872 | 1,362,437 |
| Reversal of previously recognised tax losses | – | 809,865 |
| Share of results of associate | (99,822) | (69,624) |
| Effect of reduction in income tax rate | – | 7,504 |
| Others | (4,087) | 11,091 |
| Income tax expense recognised in profit or loss | 1,405,595 | 5,693,505 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 9. PROPERTY, PLANT AND EQUIPMENT

| | Note | 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 2015 | | 68,579,248 | 89,378,151 | 19,029,289 | 17,018,272 | 113,050 | 194,118,010 |
| Additions | | 3,844,814 | 7,017,039 | 1,401,930 | 1,667,587 | 1,500,538 | 15,431,908 |
| Disposals | | (1,255,840) | (6,945,914) | (1,355,044) | (1,085,829) | – | (10,642,627) |
| Disposal of a subsidiary | | – | – | – | (159,740) | – | (159,740) |
| Currency realignment | | (400,346) | (1,133,429) | (150,266) | (108,005) | – | (1,792,046) |
| At 30 June 2016 and 1 July 2016 | | 70,767,876 | 88,315,847 | 18,925,909 | 17,332,285 | 1,613,588 | 196,955,505 |
| Additions | | 150,811 | 1,559,843 | 1,488,205 | 985,824 | 881,309 | 5,065,992 |
| Disposals | | (1,112,686) | (853,584) | (888,991) | (118,851) | – | (2,974,112) |
| Disposal of a subsidiary | | – | (50,910) | (449,405) | (31,206) | – | (531,521) |
| Reclassification | | – | 937,000 | – | 1,236,854 | (2,173,854) | – |
| Currency realignment | | (247,215) | 35,803 | (13,105) | (2,414) | – | (226,931) |
| At 30 June 2017 | | 69,558,786 | 89,943,999 | 19,062,613 | 19,402,492 | 321,043 | 198,288,933 |
| **Accumulated depreciation and impairment loss:** | | | | | | | |
| At 1 July 2015 | | 15,286,462 | 53,621,353 | 13,372,809 | 13,852,857 | – | 96,133,481 |
| Charge for the year | 7 | 3,730,813 | 7,692,981 | 1,763,719 | 2,387,547 | – | 15,575,060 |
| Disposals | | (636,486) | (5,477,134) | (1,092,695) | (714,454) | – | (7,920,769) |
| Disposal of a subsidiary | | – | – | – | (155,658) | – | (155,658) |
| Impairment loss | | – | 211,418 | – | – | – | 211,418 |
| Currency realignment | | (141,726) | (551,698) | (169,956) | (76,856) | – | (940,236) |
| At 30 June 2016 and 1 July 2016 | | 18,239,063 | 55,496,920 | 13,873,877 | 15,293,436 | – | 102,903,296 |
| Charge for the year | 7 | 4,799,912 | 6,718,732 | 1,408,883 | 1,851,907 | – | 14,779,434 |
| Disposals | | (1,112,686) | (765,105) | (797,123) | (115,307) | – | (2,790,221) |
| Disposal of a subsidiary | | – | (44,564) | (287,842) | (26,340) | – | (358,746) |
| Currency realignment | | 9,916 | 23,591 | (1,376) | (72) | – | 32,059 |
| At 30 June 2017 | | 21,936,205 | 61,429,574 | 14,196,419 | 17,003,624 | – | 114,565,822 |
| **Net carrying amount:** | | | | | | | |
| As at 30 June 2016 | | 52,528,813 | 32,818,927 | 5,052,032 | 2,038,849 | 1,613,588 | 94,052,209 |
| As at 30 June 2017 | | 47,622,581 | 28,514,425 | 4,866,194 | 2,398,868 | 321,043 | 83,723,111 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 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 2015 | 45,651,171 | 48,216,419 | 13,416,536 | 11,729,139 | 119,013,265 |
| Additions | – | 612,504 | 496,888 | 334,022 | 1,443,414 |
| Disposals | – | (1,874,153) | (335,461) | (349,991) | (2,559,605) |
| At 30 June 2016 and 1 July 2016 | 45,651,171 | 46,954,770 | 13,577,963 | 11,713,170 | 117,897,074 |
| Additions | – | 563,374 | 913,922 | 517,416 | 1,994,712 |
| Disposals | – | (539,287) | (519,166) | (56,018) | (1,114,471) |
| At 30 June 2017 | 45,651,171 | 46,978,857 | 13,972,719 | 12,174,568 | 118,777,315 |
| **Accumulated depreciation:** | | | | | |
| At 1 July 2015 | 11,709,638 | 32,740,033 | 9,531,483 | 9,810,186 | 63,791,340 |
| Charge for the year | 2,713,155 | 2,898,958 | 1,062,669 | 1,616,124 | 8,290,906 |
| Disposals | – | (1,619,736) | (335,457) | (346,843) | (2,302,036) |
| At 30 June 2016 and 1 July 2016 | 14,422,793 | 34,019,255 | 10,258,695 | 11,079,467 | 69,780,210 |
| Charge for the year | 2,713,155 | 2,615,018 | 1,050,249 | 578,357 | 6,956,779 |
| Disposals | – | (508,402) | (519,159) | (55,352) | (1,082,913) |
| At 30 June 2017 | 17,135,948 | 36,125,871 | 10,789,785 | 11,602,472 | 75,654,076 |
| **Net carrying amount:** | | | | | |
| As at 30 June 2016 | 31,228,378 | 12,935,515 | 3,319,268 | 633,703 | 48,116,864 |
| As at 30 June 2017 | 28,515,223 | 10,852,986 | 3,182,934 | 572,096 | 43,123,239 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

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

***Assets held under finance leases***

During the current financial year, the Group acquired motor vehicles with cost of $60,000 (2016: motor vehicles and leasehold land and buildings with cost of $3,644,550) by means of finance leases. The net cash outflow on acquisition of property, plant and equipment amounted to $4,880,092 (2016: $11,785,481).

As at 30 June 2017, carrying amount of motor vehicles, office equipment and leasehold land and buildings held under finance leases were $573,015 (2016: $593,014), $932 (2016: $6,170) and $Nil (2016: $3,366,805) respectively.

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

***Assets pledged as security***

In addition to assets held under finance leases, certain of the Group's leasehold land and building with a carrying amount of $7,812,732 (2016: $8,152,416) are mortgaged to secure one of the Group's bank loan (Note 24).

***Impairment of assets***

In the previous financial year, a subsidiary of the Group within the project works segment, carried out a review of the recoverable amount of its site equipment as the subsidiary was making losses. An impairment loss of $211,418, representing the write-down of these equipment to the recoverable amount was recognised in "Other operating expenses" line item in profit or loss for the financial year ended 30 June 2016. The recoverable amount was based on the estimated fair value less costs to sell.

No impairment loss was recognised during the current financial year.

***Changes in estimates***

During the financial year, a subsidiary of the Group revised the estimated useful life of its plant and equipment following an operational efficiency review. The revision in estimates has been applied on a prospective basis from 1 July 2016.

| | Old useful life | Revised useful life |
|---|---|---|
| Motor vehicles | 4 years | 5 to 10 years |
| Plant and machinery and site equipment | 4 years | 3 to 15 years |
| Office equipment and furniture and fittings | 10 years | 3 years |

The effect of the above revision on depreciation charge in current and future periods are as follows:

| | 2017 $ | 2018 $ | 2019 $ | Later $ |
|---|---|---|---|---|
| (Decrease)/increase in depreciation expenses | (358,244) | (433,362) | (434,918) | 1,226,524 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 10. INVESTMENT PROPERTIES

| | Note | Group 2017 $ | 2016 $ |
|---|---|---|---|
| **Balance sheet** | | | |
| ***Cost:*** | | | |
| At 1 July | | 8,215,945 | 8,356,194 |
| Currency realignment | | (92,303) | (140,249) |
| At 30 June | | 8,123,642 | 8,215,945 |
| ***Accumulated depreciation:*** | | | |
| At 1 July | | 576,233 | 400,108 |
| Charge for the year | 7 | 183,646 | 185,147 |
| Currency realignment | | (8,385) | (9,022) |
| At 30 June | | 751,494 | 576,233 |
| ***Net carrying amount:*** | | | |
| At 30 June | | 7,372,148 | 7,639,712 |
| **Income statement** | | | |
| Rental income from investment properties: | | | |
| – Minimum lease payments | | 537,046 | 507,639 |
| Direct operating expenses (including repairs and maintenance) arising from: | | | |
| – Rental generating property | | 491,617 | 490,050 |

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 $8,290,000 (2016: $8,742,000) by reference to comparable market transactions that consider recent sale of similar properties that have been transacted in the open market.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 10. INVESTMENT PROPERTIES (CONT'D)

***Assets pledged as security***

The Group's investment property with a carrying amount of $5,571,999 (2016: $5,712,470) is mortgaged to secure one of the Group's bank loan (Note 24).

The investment properties held by the Group as at 30 June 2017 are as follows:

| Description and Location | Existing Use | Tenure | Unexpired lease term |
|---|---|---|---|
| 14 strata-titled factory units of a light industrial development known as The Elitist, Singapore | Offices | Leasehold | 39 years |
| 64 units of residential apartment at block C3 Seri Mengkuang, Malaysia | Residential | Leasehold | 83 years |

## 11. INTANGIBLE ASSETS

| | Note | Goodwill | Other intangible assets | | Total |
|---|---|---|---|---|---|
| | | | Club membership | Licence | |
| | | $ | $ | $ | $ |
| **Group** | | | | | |
| **Cost:** | | | | | |
| At 1 July 2015 | | 1,496,708 | 554,640 | 570,150 | 2,621,498 |
| Additions | | 65,244 | – | – | 65,244 |
| Disposals | | – | (27,500) | – | (27,500) |
| At 30 June 2016 and 1 July 2016 | | 1,561,952 | 527,140 | 570,150 | 2,659,242 |
| Disposals | | – | (252,500) | – | (252,500) |
| At 30 June 2017 | | 1,561,952 | 274,640 | 570,150 | 2,406,742 |
| **Accumulated amortisation:** | | | | | |
| At 1 July 2015 | | – | 363,848 | 171,045 | 534,893 |
| Amortisation for the year | 7 | – | 34,771 | 114,030 | 148,801 |
| Disposals | | – | (5,729) | – | (5,729) |
| At 30 June 2016 and 1 July 2016 | | – | 392,890 | 285,075 | 677,965 |
| Amortisation for the year | 7 | – | 25,875 | 114,030 | 139,905 |
| Disposals | | – | (202,625) | – | (202,625) |
| At 30 June 2017 | | – | 216,140 | 399,105 | 615,245 |
| **Net carrying amount:** | | | | | |
| As at 30 June 2016 | | 1,561,952 | 134,250 | 285,075 | 1,981,277 |
| As at 30 June 2017 | | 1,561,952 | 58,500 | 171,045 | 1,791,497 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 11. INTANGIBLE ASSETS (CONT'D)

| | Club membership $ |
|---|---|
| **Company** | |
| **Cost:** | |
| At 1 July 2015, 30 June 2016 and 1 July 2016 | 527,140 |
| Disposals | (252,500) |
| At 30 June 2017 | 274,640 |
| **Accumulated amortisation:** | |
| At 1 July 2015 | 360,640 |
| Amortisation for the year | 32,250 |
| At 30 June 2016 and 1 July 2016 | 392,890 |
| Amortisation for the year | 25,875 |
| Disposal | (202,625) |
| At 30 June 2017 | 216,140 |
| **Net carrying amount:** | |
| At 30 June 2016 | 134,250 |
| At 30 June 2017 | 58,500 |

***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% (2016: 6.8%) and 1.0% (2016: 1.0%) respectively.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 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 pertains to the right to service and use certain specific equipment. Club memberships are registered in the name of directors and senior managers and are held in trust for the Company. The amortisation expense is included in "Other operating expense" line item in profit or loss. Other intangible assets have a remaining tenure of 2 to 4 years (2016: 3 to 5 years).

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 12. LAND USE RIGHTS

| | Note | Group 2017 $ | Group 2016 $ |
|---|---|---|---|
| **Cost:** | | | |
| At 1 July | | 927,894 | 990,363 |
| Additions | | – | 23,010 |
| Currency realignment | | 2,284 | (85,479) |
| At 30 June | | 930,178 | 927,894 |
| **Accumulated amortisation:** | | | |
| At 1 July | | 243,987 | 240,020 |
| Charge for the year | 7 | 24,391 | 25,885 |
| Currency realignment | | 487 | (21,918) |
| At 30 June | | 268,865 | 243,987 |
| **Net carrying amount:** | | | |
| At 30 June | | 661,313 | 683,907 |
| Amount to be amortised: | | | |
| – Not later than one year | | 22,667 | 22,670 |
| – Later than one year but not later than five years | | 90,669 | 90,679 |
| – Later than five years | | 547,977 | 570,558 |
| At 30 June | | 661,313 | 683,907 |

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 36 to 65 years (2016: 37 to 66 years).

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

## 13. INVESTMENT IN SUBSIDIARIES

| | Company 2017 $ | Company 2016 $ |
|---|---|---|
| Unquoted shares, at cost | 46,158,533 | 38,092,600 |
| Impairment losses | (4,663,939) | (6,333,939) |
| At 30 June | 41,494,594 | 31,758,661 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 13. INVESTMENT IN SUBSIDIARIES (CONT'D)

*(a) Composition of the Group*

| | Name of subsidiaries | Country of incorporation | Principal activities | Proportion (%) of ownership interest 2017 % | 2016 % |
|---|---|---|---|---|---|
| | **Held by the Company:** | | | | |
| (1) | Audex Pte. Ltd. | Singapore | Engineering, procurement, construction and project management services | 100 | 100 |
| (3) | Huizhou Tianxin Petrochemical Engineering Co., Ltd. | People's Republic of China | Engineering design, procurement, construction and maintenance services | 60 | 60 |
| (1) | IT Re-Engineering Pte. Ltd. | Singapore | Information technology and consultancy services | 100 | 100 |
| (6) | PEC Construction Equipment Leasing Company (Huizhou) Limited | People's Republic of China | Heavy machineries and equipment leasing services | 100 | 100 |
| (6) | PEC International Investments Pte. Ltd. | Singapore | Investment company | 100 | 100 |
| (2) | PEC (Malaysia) Sdn. Bhd. | Malaysia | Civil, mechanical and electrical engineering project services | 100 | 100 |
| (6) | PEC Technology Consultancy Services (Huizhou) Ltd. | People's Republic of China | Engineering technology, economic environmental and health consultancy services | 100 | 100 |
| (6) | 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 |
| (1) | Testing Inspection & Solution Pte. Ltd. | Singapore | Heat treatment services | 100 | 100 |
| (1) | EBT Engineering Pte. Ltd. | Singapore | Provision of painting and blasting services in the oil and gas industry | 55 | 55 |
| @ | Major Insulation & Links (MIL) Marketing Pte. Ltd. | Singapore | Hot and cold thermal insulation, sound proofing, refractory and fire proofing services | – | 51 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 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 2017 % | 2016 % |
|---|---|---|---|---|---|
| (1) | ISOTECH Pte. Ltd. | Singapore | Marketing and provision of CAR-BER tools & services | 100 | 100 |
| @ | PEC Hong Kong Pte. Ltd. | Hong Kong | Engineering, procurement, construction and management services | – | 100 |
| (1) | Enerz Engineering Pte. Ltd. | Singapore | Engineering, procurement, construction and commissioning of energy power, utility and infrastructure related facilities and services | 84 | 84 |
| (4), (7) | Majujaya Wira Sdn Bhd | Malaysia | Dormitory services | 49 | 49 |
| (8) | PEC (Myanmar) Ltd | Myanmar | Engineering, procurement, construction and management services | 99 | 99 |
| (8) | PECI (Myanmar) Ltd | Myanmar | Engineering, procurement, construction and management services | 80 | 80 |
| (6) | PECI Vietnam Ltd | Vietnam | Engineering, procurement, construction and management services | 100 | 100 |
| (6) | Plant Engtech Private Limited | India | Consultancy and design services | 90 | 80 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 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 2017 % | 2016 % |
|---|---|---|---|---|---|
| | **Held through a subsidiary:** | | | | |
| (6) | Audex (Shanghai) Co., Ltd | People's Republic of China | Project management | 100 | 100 |
| (2) | Audex Fujairah LL FZE. | United Arab Emirates | Engineering, procurement, construction and project management services | 100 | 100 |
| (6) | PT Audex Indonesia | Indonesia | Project management | 95 | 95 |
| (5), (7) | PECI-Thai Company Limited | Thailand | Engineering, procurement, construction and maintenance services | 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 Kyu Kyu Win & Associates Services Co., Ltd
@ Wound up during the current financial year.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 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") $ |
|---|---|---|
| **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 |
| **2016** | | |
| Proportion of ownership interest held by NCI | 45% | 40% |
| Accumulated NCI at the end of the financial year | 4,796,595 | 7,185,442 |
| Profit after tax allocated to NCI during the financial year | 1,635,445 | 1,567,040 |

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 2017**

## 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 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| **Summarised balance sheets** | | | | |
| Non-current assets | 10,134,120 | 11,659,844 | 9,145,611 | 9,292,154 |
| Current assets | 5,535,312 | 6,779,330 | 14,294,510 | 15,615,271 |
| Non-current liabilities | (5,496,469) | (5,789,448) | – | – |
| Current liabilities | (1,988,618) | (1,990,626) | (14,273,747) | (6,943,820) |
| Net assets | 8,184,345 | 10,659,100 | 9,166,374 | 17,963,605 |
| **Summarised statement of comprehensive income** | | | | |
| Revenue | 8,972,967 | 9,277,863 | 18,152,311 | 30,687,485 |
| (Loss)/profit for the year | (2,474,756) | 3,634,323 | 1,748,625 | 3,917,602 |
| Other comprehensive income | – | – | 36,155 | (1,689,145) |
| Total comprehensive income | (2,474,756) | 3,634,323 | 1,784,780 | 2,228,457 |
| **Other summarised information** | | | | |
| Dividends paid to NCI | – | (135,000) | (4,232,804) | (568,401) |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 13. INVESTMENT IN SUBSIDIARIES (CONT'D)

*(d) Acquisition of subsidiary*

On 1 April 2016, (the "acquisition date"), the Group acquired an 80% equity interest in Plant Engtech Private Limited ("PEPL"), a provider of consultancy services for the design of plant and machinery used in the petroleum, oil and gas sectors. Upon the acquisition, PEPL became a subsidiary of the Group.

The Group has acquired PEPL to complement the Group's existing scope of services and place it in a better position to tender for projects in India.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of PEPL's net identifiable assets.

The fair value of the identifiable assets and liabilities of PEPL as at acquisition date were:

| | Provisional fair value recognised on acquisition $ |
|---|---|
| Property, plant and equipment | 1,877 |
| Deferred tax asset | 106 |
| Trade and other receivables | 15,687 |
| Cash and cash equivalents | 1,596 |
| | 19,266 |
| Other liabilities and provisions | 948 |
| Total identifiable net assets at fair value | 18,318 |
| Non-controlling interest measured at the non-controlling interest's proportionate share of PEPL's net identifiable assets | (3,594) |
| Goodwill arising from acquisition (Note 11) | 65,244 |
| Cash paid for the acquisition of PEPL | 79,968 |
| Effect of the acquisition of PEPL on cash flows | |
| Total consideration for 80% equity interest acquired | 79,968 |
| Less: Cash and cash equivalents of subsidiary acquired | (1,596) |
| Net cash outflow on acquisition | 78,372 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 13. INVESTMENT IN SUBSIDIARIES (CONT'D)

*(d) Acquisition of subsidiary (cont'd)*

Goodwill arising from acquisition

The goodwill of $65,244 is attributable mainly to the synergies expected to be achieved from integrating PEPL into the Group's existing business which has been finalised during the year.

Subsequent acquisition of additional equity interest in PEPL

During the year, the Company has subscribed for an additional 10,000 new ordinary shares in the capital of PEPL at a cash consideration of INR490 (approximately $9.90) per share. Upon the completion of the additional subscription, the Company's percentage shareholding in PEPL has increased from 80% to 90%.

*(e) Acquisition of ownership interest in subsidiary, without loss of control*

On 2 December 2015, the Company acquired an additional 30% equity interest in PEC Malaysia Sdn. Bhd. from its non-controlling interests for a cash consideration of $1,406,347. As a result of this acquisition, PEC Malaysia Sdn. Bhd. became a wholly-owned subsidiary of the Company. The carrying value of the net assets of PEC Malaysia Sdn. Bhd. at 30 November 2016 was $6,607,302 and the carrying value of the additional interest acquired was $1,982,191. The difference of $575,844 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests "within equity.

The following summarises the effect of the change in the Group's ownership interest in PEC Malaysia Sdn. Bhd. on the equity attributable to owners of the Company:

| | $ |
|---|---|
| Consideration paid for acquisition of non-controlling interests | 1,406,347 |
| Decrease in equity attributable to non-controlling interests | (1,982,191) |
| Increase in equity attributable to owners of the Company | 575,844 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 13. INVESTMENT IN SUBSIDIARIES (CONT'D)

*(f) Loss of control in subsidiary*

On 31 December 2015 (the "disposal date"), the Group entered into a sale agreement to dispose its entire 60% interest in its subsidiary, Plant Engineering Services Pte. Ltd. ("PES"), at its carrying amount. The disposal consideration was fully settled in cash.

The value of assets and liabilities of Plant Engineering Services Pte. Ltd. recorded in the consolidated financial statements as at 31 December 2016 (the "disposal date"), and the effects of the disposal were:

| | $ |
|---|---|
| Property, plant and equipment | 4,082 |
| Trade and other receivables | 984,343 |
| Cash and cash equivalents | 2,433,841 |
| | 3,422,266 |
| Trade and other payables | (331,021) |
| Income tax payable | (110,859) |
| Carrying value of net assets | 2,980,386 |
| Cash consideration | 60,000 |
| Dividends received from PES as part of proceeds from disposal | 1,728,231 |
| Cash and cash equivalents of the subsidiary | (2,433,841) |
| Net cash outflow on disposal of a subsidiary | (645,610) |
| Effect of the disposal | |
| Cash received | 1,788,231 |
| Net assets derecognised | (1,788,231) |
| Gain on disposal of subsidiary | – |

*(g) Subscription of additional equity shares in PECI (Myanmar) Ltd ("PECIMMK")*

In previous financial year, a non-controlling interest subscribed for equity shares in PECIMMK, which amounted to USD$500,000 ($671,731), representing 20% equity interest in PECIMMK. In accordance with a lease agreement entered between the Group and the non-controlling interest, the USD$500,000 ($671,731) subscription will be set-off against the finance lease payable owing to the non-controlling interest.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 13. INVESTMENT IN SUBSIDIARIES (CONT'D)

*(h) Liquidation of subsidiaries*

**Major Insulation & Links (MIL) Marketing Pte. Ltd.**

On 24 March 2017, Major Insulation & Links (MIL) Marketing Pte. Ltd. was placed under creditors' voluntary liquidation. The liquidation process was completed and the Group recorded a gain on liquidation of $989,956 during the current financial year.

The value of assets and liabilities of Major Insulation & Links (MIL) Marketing Pte. Ltd. as at 24 March 2017 (the "liquidation date"), and the effects of the liquidation were:

| | $ |
|---|---|
| Property, plant and equipment | 172,775 |
| Inventories | 318,231 |
| Trade and other receivables | 748,515 |
| Cash and cash equivalents | 605,401 |
| | 1,844,922 |
| Trade and other payables | (2,767,672) |
| Loans and borrowings | (56,646) |
| Income tax payable | (10,560) |
| Carrying value of net liabilities | (989,956) |
| Gain on liquidation during the year attributable to: | |
| Owners of the Company | 504,878 |
| Non-controlling interests | 485,078 |
| | 989,956 |

Arising from the liquidation of Major Insulation & Links (MIL) Marketing Pte. Ltd., the Company wrote off $1,330,000 cost of investment to profit or loss at Company level. In addition, the Company also wrote off impairment loss previously recognised against the cost of investment which amounted to $1,670,000 (2016: $ Nil).

**PEC Hong Kong Pte. Ltd.**

During the current financial year, PEC Hong Kong Pte. Ltd. ("PEC HK") was placed under members' voluntary liquidation and the net cash outflow from liquidation of PEC HK amounted to $22,203.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 13. INVESTMENT IN SUBSIDIARIES (CONT'D)

*(i) Capitalisation of non-current loan from a subsidiary*

During the current financial year, the Company subscribed for an additional 11,000,000 ordinary shares in the capital of its wholly-owned subsidiary, Plant General Services Pte. Ltd. ("PGS") for cash at a consideration of $11,000,000 fully satisfied by way of capitalisation of intercompany loan balances outstanding from PGS to the Company (Note 21).

## 14. INVESTMENT IN AN ASSOCIATE

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| Unquoted shares, at cost | 354,320 | 354,320 | 354,320 | 354,320 |
| Share of post acquisition reserves | 4,610,599 | 4,451,183 | – | – |
| Carrying amount of investment in associate | 4,964,919 | 4,805,503 | 354,320 | 354,320 |

| | Name of associate | Country of incorporation | Principal activities | Proportion (%) of ownership interest 2017 % | 2016 % |
|---|---|---|---|---|---|
| | **Held by the Company** | | | | |
| (1) | Plant Electrical Instrumentation Pte. Ltd. ("PEI") | Singapore | Engineering services and installation of electrical and scientific instruments | 49 | 49 |

(1) Financial year end is 31 March, in line with its holding company; audited by Deloitte & Touche, Singapore

Dividends of $427,770 (2016: $245,000) were declared by Plant Electrical Instrumentation Pte. Ltd. ("PEI") to the Company during the current financial year.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 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 | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| ***Summarised balance sheet*** | | |
| ***Assets and liabilities:*** | | |
| Current assets | 14,602,629 | 14,745,535 |
| Non-current assets | 747,735 | 591,597 |
| Total assets | 15,350,364 | 15,337,132 |
| Current liabilities | 5,046,194 | 5,386,069 |
| Non-current liabilities | 27,768 | – |
| Total liabilities | 5,073,962 | 5,386,069 |
| Net assets | 10,276,402 | 9,951,063 |
| Proportion of the Group's ownership | 49% | 49% |
| Group's share of net assets | 5,035,437 | 4,876,021 |
| Bargain purchase on acquisition | (70,518) | (70,518) |
| Carrying amount of the investment | 4,964,919 | 4,805,503 |
| ***Summarised statement of comprehensive income*** | | |
| ***Results:*** | | |
| Revenue | 27,646,785 | 25,132,060 |
| Profit after tax | 1,198,338 | 835,823 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 15. INVESTMENT SECURITIES

| | Group and Company | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Available-for-sale financial assets | | |
| – Quoted equity instruments at fair value | 5,685 | 18,093 |
| At 1 July, at fair value | 18,093 | 35,146 |
| Fair value changes included in fair value reserve | (12,228) | (17,053) |
| At 30 June, at fair value | 5,865 | 18,093 |

No impairment loss (2016: $Nil) was recognised in this financial year.

## 16. CONTRACTS-IN-PROGRESS (NET OF PROGRESS BILLINGS)/ PROGRESS BILLINGS IN EXCESS OF COSTS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| Aggregate amount of contract costs incurred and recognised profits (less recognised losses) to date | 230,624,275 | 305,391,887 | 57,322,190 | 70,342,681 |
| Less: Progress billings and advances | (263,307,608) | (333,485,925) | (53,181,857) | (60,836,844) |
| | (32,683,333) | (28,094,038) | 4,140,333 | 9,505,837 |
| *Presented as:* | | | | |
| Contracts-in-progress (net of progress billings) | 6,167,381 | 17,074,913 | 4,652,333 | 10,979,437 |
| Progress billings in excess of costs | (38,850,714) | (45,168,951) | (512,000) | (1,473,600) |
| | (32,683,333) | (28,094,038) | 4,140,333 | 9,505,837 |
| Retention sums included in trade receivables | 1,744,290 | 32,083,675 | 100,484 | 3,305,259 |
| Advances received included in progress billings in excess of costs | 8,135,943 | 16,868,287 | – | 870,500 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 17. ACCRUED INCOME

Accrued income represents revenue from maintenance services and rendering of services relating to current financial year which has been earned but not invoiced as at the end of the reporting period.

In the previous financial year, the Group recognised an impairment loss of $521,157 with nominal amount of $521,157 for project costs incurred during the financial year due to significant uncertainty in recovering the cost incurred. In addition, the Group wrote back an impairment loss amounting to $546,110 in the previous financial year.

No impairment loss was provided or written back in the current financial year.

## 18. INVENTORIES

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| ***Balance sheet:*** | | |
| Finished goods, at lower of cost and net realisable value | 276,525 | 620,969 |
| ***Consolidated statement of comprehensive income:*** | | |
| Inventories recognised as an expense in cost of sales | 2,794,000 | 9,052,068 |

## 19. TRADE RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| Trade receivables: | | | | |
| – external parties | 136,108,899 | 110,101,018 | 56,909,005 | 50,535,172 |
| – associate | 4,659 | 8,475 | 658 | 910 |
| – related parties | 10,368 | 1,712 | 5,500 | 64 |
| – subsidiaries | – | – | 14,453,997 | 23,123,330 |
| | 136,123,926 | 110,111,205 | 71,369,160 | 73,659,476 |
| Allowance for impairment: | | | | |
| – external parties | (22,272,720) | (22,672,240) | (20,118,070) | (20,418,070) |
| – subsidiaries | – | – | – | (32,457) |
| | 113,851,206 | 87,438,965 | 51,251,090 | 53,208,949 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 19. TRADE RECEIVABLES (CONT'D)

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.

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 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| Arab Emirates Dirham | 56,777,631 | 17,308,900 | – | – |
| United States Dollar | 7,962,144 | 14,609,400 | 5,626,725 | 1,040,355 |

***Receivables that are past due but not impaired***

The Group has trade receivables amounting to $70,057,798 (2016: $22,930,495) 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 | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Trade receivables past due but not impaired: | | |
| Less than 30 days | 18,101,045 | 8,685,911 |
| 31 – 60 days | 3,478,439 | 7,156,308 |
| 61 – 90 days | 19,145,540 | 1,411,937 |
| More than 90 days | 29,332,774 | 5,676,339 |
| | 70,057,798 | 22,930,495 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 19. TRADE RECEIVABLES (CONT'D)

***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*

| | Note | Group 2017 $ | 2016 $ |
|---|---|---|---|
| Trade receivables – nominal amounts | | 22,866,510 | 23,423,500 |
| Less: Allowance for impairment | | (22,272,720) | (22,672,240) |
| | | 593,790 | 751,260 |
| Movement in allowance accounts: | | | |
| At 1 July | | 22,672,240 | 19,701,397 |
| Charge for the year | 7 | – | 2,983,109 |
| Written back | 5 | (400,000) | – |
| Currency realignment | | 480 | (12,266) |
| At 30 June | | 22,272,720 | 22,672,240 |

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 2017**

## 20. OTHER RECEIVABLES AND DEPOSITS

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2017 | 2016 | 2017 | 2016 |
| | | $ | $ | $ | $ |
| Other receivables | | 2,261,883 | 6,153,023 | 5,410,849 | 6,932,741 |
| Refundable deposits | | 3,196,054 | 3,332,478 | 1,913,973 | 1,707,417 |
| | | 5,457,937 | 9,485,501 | 7,324,822 | 8,640,158 |
| Other receivables and deposits | | 5,457,937 | 9,485,501 | 7,324,822 | 8,640,158 |
| Accrued income | 17 | 38,949,478 | 20,172,993 | 31,858,907 | 12,317,615 |
| Trade receivables | 19 | 113,851,206 | 87,438,965 | 51,251,090 | 53,208,949 |
| Amounts due from subsidiaries (current) | 21 | – | – | 229,273 | 680,738 |
| Loans due from subsidiaries (current) | 21 | – | – | 6,736,150 | 7,271,420 |
| Loan due from a subsidiary (non-current) | 21 | – | – | – | 11,895,672 |
| Bank deposit pledged | 22 | – | 50,525 | – | – |
| Cash and short-term deposits | 22 | 107,022,349 | 150,562,698 | 51,114,832 | 42,888,186 |
| Total loans and receivables | | 265,280,970 | 267,710,682 | 148,515,074 | 136,902,738 |

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 | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| Euro | 192,676 | – | 192,676 | – |
| Malaysian Ringgit | 85,214 | 42,618 | 85,214 | 42,618 |
| United States Dollar | 300,462 | 208,926 | 300,462 | 208,926 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 21. AMOUNTS/LOANS DUE FROM A SUBSIDIARY/SUBSIDIARIES

| | Note | Company 2017 $ | Company 2016 $ |
|---|---|---|---|
| **Current:** | | | |
| Amounts due from subsidiaries | 20 | 229,973 | 680,738 |
| Loans due from subsidiaries | 20 | 6,736,150 | 7,271,420 |
| | | 6,966,123 | 7,952,158 |
| **Non-current:** | | | |
| Loan due from a subsidiary | 20 | – | 11,895,672 |

The amounts due from subsidiaries (current) are non-trade, unsecured, repayable on demand, interest free and are to be settled in cash.

The loans due from a subsidiary are unsecured, bear interest from 2.0% to 4.5% (2016: 1% to 5%) per annum and are to be settled in cash. The loan due from a subsidiary (non-current) is not expected to be repaid in the next 12 months. During the current financial year, the Company has capitalised $11,000,000 (2016: $Nil) of loan due from a subsidiary (non-current) as investment in subsidiary (Note 13).

## 22. CASH AND SHORT-TERM DEPOSITS / BANK DEPOSITS PLEDGED

Cash and short-term deposits consist of unpledged bank deposits and cash and bank balances. Bank deposits pledged are excluded from cash and short-term deposits because they may not be readily convertible to cash as they are fully pledged to banks for bankers' guarantees provided to customers for the performance of contracts and banking facilities granted to a subsidiary.

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

| | Group 2017 $ | Group 2016 $ | Company 2017 $ | Company 2016 $ |
|---|---|---|---|---|
| Cash at bank and on hand | 82,751,905 | 128,675,900 | 43,693,244 | 40,398,149 |
| Fixed deposits | 24,270,444 | 21,937,323 | 7,421,588 | 2,490,037 |
| Less: Bank deposits pledged | – | (50,525) | – | – |
| | 107,022,349 | 150,562,698 | 51,114,832 | 42,888,186 |

Certain cash at bank earns interest at floating rate based on daily bank deposit rates.

The interest rate of fixed deposits ranges from approximately 0.16% to 3.70% (2016: 0.16% to 3.70%) per annum.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 22. CASH AND SHORT-TERM DEPOSITS / BANK DEPOSITS PLEDGED (CONT'D)

Cash and short-term deposits denominated in foreign currencies as at 30 June are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| Arab Emirates Dirham | 86,126 | 225,959 | 3 | 3 |
| Euro | 25,230 | 1,721,063 | 8,535 | 8,112 |
| Malaysian Ringgit | 4,636,591 | 2,633,686 | 4,636,591 | 2,633,686 |
| Myanmar Kyat | 18 | 271,564 | 18 | 21 |
| Renminbi | 3,870,768 | 3,763,747 | 3,870,768 | 3,763,747 |
| United States Dollar | 12,824,635 | 66,525,163 | 850,330 | 3,179,592 |

## 23. PROVISIONS

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| **Current:** | | | | |
| Provision for unutilised leave | 2,654,311 | 2,624,217 | 1,835,130 | 1,593,507 |
| **Non-current:** | | | | |
| Provision for reinstatement cost | 1,364,126 | 1,363,226 | 1,238,226 | 1,238,226 |
| | 4,018,437 | 3,987,443 | 3,073,356 | 2,831,733 |

| | Group | | | |
|---|---|---|---|---|
| | Provision for warranty | Provision for unutilised leave | Provision for reinstatement cost | Total |
| | $ | $ | $ | $ |
| At 1 July 2015 | 198,000 | 2,597,546 | 1,363,226 | 4,158,772 |
| Arose during the financial year | – | 500,256 | – | 500,256 |
| Unused amounts reversed | (198,000) | (417,697) | – | (615,697) |
| Currency realignment | – | (10,555) | – | (10,555) |
| Disposal of a subsidiary | – | (45,333) | – | (45,333) |
| At 30 June 2016 and 1 July 2016 | – | 2,624,217 | 1,363,226 | 3,987,443 |
| Arose during the financial year | – | 288,626 | 125,900 | 414,526 |
| Unused amounts reversed | – | (271,997) | (125,000) | (396,997) |
| Currency realignment | – | 13,465 | – | 13,465 |
| At 30 June 2017 | – | 2,654,311 | 1,364,126 | 4,018,437 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 24. LOANS AND BORROWINGS

| | Maturity | Note | Group 2017 $ | Group 2016 $ | Company 2017 $ | Company 2016 $ |
|---|---|---|---|---|---|---|
| **Current:** | | | | | | |
| Bank loan 1 | 2017-2018 | | 399,045 | 399,045 | – | – |
| Bank loan 2 | 2017-2018 | | 265,863 | 224,885 | – | – |
| Bank loan 3 | On demand | | – | 5,089,429 | – | – |
| Obligations under finance leases | 2017-2018 | | 123,000 | 2,939,218 | 55,839 | 25,317 |
| | | | 787,908 | 8,652,577 | 55,839 | 25,317 |
| **Non-current:** | | | | | | |
| Bank loan 1 | 2018-2029 | | 3,144,730 | 3,543,774 | – | – |
| Bank loan 2 | 2018-2035 | | 5,439,133 | 5,668,232 | – | – |
| Obligations under finance leases | 2018-2020 | | 128,783 | 279,838 | 67,738 | 65,959 |
| | | | 8,712,646 | 9,491,844 | 67,738 | 65,959 |
| Total loans and borrowings | | 26 | 9,500,554 | 18,144,421 | 123,577 | 91,276 |

**Bank Loan 1**

This loan is denominated in SGD, bears interest of 1.10% to 1.25% + cost of funds (2016: 1.10% to 1.50% + 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% (2016: floating interest rate of 2.98% to 5.25%) per annum and is secured by a legal mortgage over a factory building, a personal guarantee, and a corporate guarantee (Note 9).

**Bank Loan 3**

This loan is denominated in THB, unsecured and bears interest of $Nil (2016: 3.70% to 3.80%) per annum.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 24. LOANS AND BORROWINGS (CONT'D)

***Obligations under finance leases***

Finance leases bear interest of 1.79% to 5.44% (2016: 1.79% to 6.36%) 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 2017 $ | Present value of minimum lease payments 2017 $ | Minimum lease payments 2016 $ | Present value of minimum lease payments 2016 $ |
|---|---|---|---|---|
| **Group** | | | | |
| Not later than one year | 135,372 | 123,000 | 2,954,886 | 2,939,218 |
| Later than one year but not more than five years | 129,900 | 128,783 | 296,751 | 279,838 |
| Total minimum lease payments | 265,272 | 251,783 | 3,251,637 | 3,219,056 |
| Less: Amounts representing finance charges | (13,489) | – | (32,581) | – |
| Present value of minimum lease payments | 251,783 | 251,783 | 3,219,056 | 3,219,056 |
| **Company** | | | | |
| Not later than one year | 60,348 | 55,839 | 28,740 | 25,317 |
| Later than one year but not more than five years | 69,689 | 67,738 | 69,455 | 65,959 |
| Total minimum lease payments | 130,037 | 123,577 | 98,195 | 91,276 |
| Less: Amounts representing finance charges | (6,460) | – | (6,919) | – |
| Present value of minimum lease payments | 123,577 | 123,577 | 91,276 | 91,276 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 25. TRADE PAYABLES

| | Note | Group 2017 $ | Group 2016 $ | Company 2017 $ | Company 2016 $ |
|---|---|---|---|---|---|
| Trade payables: | | | | | |
| – external parties | | 22,465,335 | 28,160,651 | 8,964,652 | 9,225,487 |
| – associate | | 851,244 | 734,652 | 848,542 | 674,184 |
| – related parties | | 111,224 | 53,688 | 74,407 | 40,463 |
| – subsidiaries | | – | – | 7,117,970 | 3,203,101 |
| | 26 | 23,427,803 | 28,948,991 | 17,005,571 | 13,143,235 |
| Net GST payables | | 3,582,767 | 2,189,782 | 3,541,853 | 2,362,304 |
| | | 27,010,570 | 31,138,773 | 20,547,424 | 15,505,539 |

Trade payables are unsecured, non-interest bearing and are normally settled on 60-day 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 2017 $ | Group 2016 $ | Company 2017 $ | Company 2016 $ |
|---|---|---|---|---|
| Euro | 574,954 | 307,628 | – | 82,457 |
| Malaysian Ringgit | 27,222 | 19,216 | 27,222 | – |
| United States Dollar | 1,695,758 | 3,783,284 | 2,934,023 | 62,117 |
| Sterling Pound | – | 86,846 | – | – |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 26. OTHER PAYABLES AND ACCRUALS

| | Note | Group 2017 $ | Group 2016 $ | Company 2017 $ | Company 2016 $ |
|---|---|---|---|---|---|
| Accrued operating expenses | | 40,553,876 | 43,069,807 | 19,209,701 | 20,686,309 |
| Accrued staff benefit expenses | | 12,321,281 | 18,897,661 | 10,134,782 | 11,460,636 |
| Accrued directors' fees | | 67,750 | 64,750 | 43,750 | 43,750 |
| Other payables | | 5,537,679 | 2,463,790 | 4,321,554 | 1,440,023 |
| Dividend payable to non-controlling interest | | 3,500,208 | 568,401 | – | – |
| | | 61,980,794 | 65,064,409 | 33,709,787 | 33,630,718 |
| Other payables and accruals | | 61,980,794 | 65,064,409 | 33,709,787 | 33,630,718 |
| Loans and borrowings | 24 | 9,500,554 | 18,144,421 | 123,577 | 91,276 |
| Trade payables | 25 | 23,427,803 | 28,948,991 | 17,005,571 | 13,143,235 |
| Total financial liabilities carried at amortised cost | | 94,909,151 | 112,157,821 | 50,838,935 | 46,865,229 |

Other payables have an average term of 6 (2016: 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 2017 $ | Group 2016 $ | Company 2017 $ | Company 2016 $ |
|---|---|---|---|---|
| United States Dollar | 2,740,870 | 29,159 | 164,190 | – |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 27. DEFERRED TAX LIABILITIES

Deferred tax liabilities as at 30 June relates to the following:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 $ | 2016 $ | 2017 $ | 2016 $ |
| *Deferred tax liabilities* | | | | |
| Differences in depreciation and amortisation for tax purposes | 1,831,560 | 2,192,367 | 1,148,888 | 1,381,368 |
| Foreign sourced income not received in Singapore | 127,732 | 58,526 | 127,732 | 58,526 |
| Undistributed earnings of a subsidiary | 107,302 | 416,332 | – | – |
| *Deferred tax assets* | | | | |
| Provisions | (2,018,850) | (2,967,295) | (1,835,133) | (2,374,744) |
| Unutilised tax losses | (722,573) | (266,573) | – | – |
| | (674,829) | (566,643) | (576,513) | (934,850) |
| *Presented as:* | | | | |
| Deferred tax assets | (1,101,767) | (1,322,700) | (576,513) | (934,850) |
| Deferred tax liabilities | 426,938 | 756,057 | – | – |
| | (674,829) | (566,643) | (576,513) | (934,850) |

An analysis of the net deferred taxes is as follows:

| | Group | |
|---|---|---|
| | 2017 $ | 2016 $ |
| At 1 July | (566,643) | 81,706 |
| Movements in deferred taxes (Note 8) | | |
| – current financial year | 793,855 | (1,704,124) |
| – (Over)/under provision in respect of prior years | (909,369) | 222,629 |
| – effect of reduction in income tax rate | – | 7,504 |
| – reversal of previously recognised tax losses | – | 809,865 |
| – currency realignment | 7,328 | 15,777 |
| At 30 June | (674,829) | (566,643) |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 27. DEFERRED TAX LIABILITIES (CONT'D)

***Unrecognised tax losses and deductible temporary differences***

The Group has unutilised tax losses and deductible temporary differences of approximately $15,039,000 (2016: $16,900,000) and $717,000 (2016: $329,000) respectively 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.

***Temporary differences relating to investments in subsidiaries***

At the end of the reporting period, $107,302 (2016: $416,332) 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 difference for which no deferred tax liability has been recognised aggregated to $31,909,000 (2016: $20,037,000). The deferred tax liability is estimated to be $5,425,000 ($3,406,000).

***Tax consequences of proposed dividends***

There are no income tax consequences (2016: $Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 34).

## 28. SHARE CAPITAL AND TREASURY SHARES

*a) Share capital*

| | Group and Company 2017 and 2016 | |
|---|---|---|
| | No. of shares | $ |
| Issued and fully paid ordinary shares: | | |
| At 1 July and 30 June | 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 2017**

## 28. SHARE CAPITAL AND TREASURY SHARES

*b) Treasury shares*

| | Group and Company 2017 | | Group and Company 2016 | |
|---|---|---|---|---|
| | No. of shares | $ | No. of shares | $ |
| At 1 July | 2,031,400 | 822,467 | – | – |
| Acquired during the year | – | – | 2,031,400 | 822,467 |
| Reissued during the year | (1,492,192) | (608,565) | – | – |
| At 30 June | 539,208 | 213,902 | 2,031,400 | 822,467 |

Treasury shares relate to ordinary shares of the Company that is held by the Company.

During the current financial year, the Company acquired Nil (2016: 2,031,400) shares in the Company through purchases on the Singapore Exchange. The total amount paid to acquire the shares was $Nil (2016: $822,467) and this was presented as a component within the shareholders' equity.

The Company reissued 1,492,192 (2016: Nil) treasury shares pursuant to its employee share option plans at a weighted average exercise price of $0.41 (2016: $Nil) each.

## 29. 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.

## 30. FAIR VALUE RESERVE

Fair value reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets (Note 15) until they are disposed of or impaired.

## 31. 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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 32. 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.

## 33. 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.

## 34. DIVIDENDS

| | Group and Company | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Declared and paid during the financial year: | | |
| *Dividends on ordinary shares:* | | |
| Final exempt dividend for 2016: 3.0 (2015: 1.0) cents per share | 7,593,768 | 2,542,570 |
| Proposed but not recognised as a liability as at 30 June: | | |
| *Dividends on ordinary shares, subject to shareholders' approval at the AGM:* | | |
| Final exempt dividend for 2017: 2.5 (2016: 3.0) cents per share | 6,365,445 | 7,593,768 |

## 35. 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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 35. EARNINGS PER SHARE (CONT'D)

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 | |
|---|---|---|
| | 2017 $ | 2016 $ |
| Profit for the year attributable to owners of the Company | 15,695,832 | 18,745,775 |
| Weighted average number of ordinary shares for basic earnings per share computation* | 253,681,595 | 253,740,086 |
| Effect of dilution: | | |
| – Performance Share Plan | 2,238,301 | 3,730,501 |
| Weighted average number of ordinary shares for diluted earnings per share computation* | 255,919,896 | 257,470,587 |
| Earnings per share (cents per share) | | |
| – Basic | 6.2 | 7.4 |
| – Diluted | 6.1 | 7.3 |

* The weighted average number of shares takes into account the weighted average effect of treasury shares transactions during the year.

## 36. 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 1 December 2016 ("2017 PSP") (2016: 15 February 2016 defined as "2016 PSP"), awards were granted by the Company to qualifying employees pursuant to the Plan in respect of up to 5,555,556 (2016: 7,792,208) 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 2017 PSP.

For the current financial year, the Group has recognised a share-based compensation expense of $694,369 (2016: $300,680) in relation to 2016 PSP.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 37. 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 | |
|---|---|---|---|
| | | 2017 $ | 2016 $ |
| (i) | *Related parties:* | | |
| | Revenue from sale of information systems | 9,011 | 12,120 |
| | Revenue from engineering works | 1,320 | 2,260 |
| | Revenue from system installation | 7,023 | 3,222 |
| | Office rental expenses | (220,200) | (220,200) |
| | Recharge of utility expenses | (33,475) | (36,427) |
| (ii) | *Associate:* | | |
| | Revenue from manpower supply and engineering works | 16,993 | 23,208 |
| | Subcontractors charges and manpower charges | (3,272,423) | (5,644,180) |

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 | |
|---|---|---|
| | 2017 $ | 2016 $ |
| Directors' fees | 193,000 | 187,000 |
| Salaries and bonuses | 4,972,152 | 6,541,602 |
| Short-term employee benefits | 44,093 | 24,743 |
| Central Provident Fund contributions | 159,675 | 86,905 |
| Share-based compensation expense | 175,537 | 67,762 |
| Total compensation paid to key management personnel | 5,544,457 | 6,908,012 |
| Comprise amounts paid to | | |
| – Directors of the Company | 3,384,380 | 5,357,338 |
| – Other key management personnel | 2,160,077 | 1,550,674 |
| | 5,544,457 | 6,908,012 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 38. COMMITMENTS AND CONTINGENCIES

*(a) Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| | $ | $ | $ | $ |
| Purchase of property, plant and equipment | – | 1,403,000 | – | – |

*(b) 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 $2,566,587 (2016: $3,321,696) and $73,182 (2016: $56,121) 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 30 June are as follows:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Within one year | 2,095,000 | 1,982,000 |
| Later than one year but not later than five years | 5,306,000 | 6,795,000 |
| More than five years | 3,917,000 | 4,759,000 |
| | 11,318,000 | 13,536,000 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 38. COMMITMENTS AND CONTINGENCIES (CONT'D)

*(c) 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 30 June are as follows:

| | Group | |
|---|---|---|
| | 2017 | 2016 |
| | $ | $ |
| Within one year | 283,000 | 495,000 |
| Later than one year but not later than five years | 63,000 | 140,000 |
| | 346,000 | 635,000 |

*(d) Contingent liabilities*

The Group has other commitments arising from its financial guarantees at the end of the reporting period as follows:

(i) The Company has provided corporate guarantees to banks amounting to $3,154,000 (2016: $10,555,429) for loans taken by its subsidiaries (Note 24 and Note 40).

## 39. 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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 39. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### *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** | | |
| **2017** | | |
| Financial assets: | | |
| Available-for-sale financial assets – Investment securities (quoted) | 15 | 5,865 |
| **2016** | | |
| Financial assets: | | |
| Available-for-sale financial assets – Investment securities (quoted) | 15 | 18,093 |

*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.

### *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 asset not measured at fair value at the end of the reporting period but for which fair value is disclosed:

| | | Fair value measurements at the end of the reporting period using | |
|---|---|---|---|
| | Note | Significant observable inputs other than quoted prices (Level 2) $ | Carrying amount $ |
| **2017** | | | |
| **Asset** | | | |
| Investment properties | 10 | 8,290,000 | 7,372,148 |
| **2016** | | | |
| **Asset** | | | |
| Investment properties | 10 | 8,742,000 | 7,639,712 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 39. 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 property are based on comparable market transactions that consider recent sale of similar properties that have been transacted in the open market.

### *D. Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value*

The fair value of financial assets by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

| | Group | | | | Company | | | |
|---|---|---|---|---|---|---|---|---|
| | 2017 $ | | 2016 $ | | 2017 $ | | 2016 $ | |
| | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value | Carrying amount | Fair value |
| **Financial assets:** | | | | | | | | |
| Non-current loan due from a subsidiary (Note 21) | – | – | – | – | – | – | 11,895,672 | ** |

** *Non-current loan due from a subsidiary carried at cost*

Fair value information has not been disclosed for the Company's non-current loan due from a subsidiary that is carried at cost because the fair value cannot be measured reliably without incurring excessive costs. There is no contractual repayment term for this loan and the Company does not intend to recall the loan in the next 12 months.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 40. 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.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the 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 available for sale investments, 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.

*Excessive risk concentration*

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

The Group monitors its risk concentration to avoid excessive concentrations of risk exposure.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

*(a) Credit risk (cont'd)*

Exposure to credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheet. Credit risk arising from the inability of a customer to meet the terms of the Group's credit policy or customers' financial standing may be reduced by consistent monitoring and follow up of late accounts.

*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 | | | |
|---|---|---|---|---|
| | 2017 | | 2016 | |
| | $ | % of total | $ | % of total |
| **By country**: | | | | |
| Singapore | 37,628,949 | 33% | 40,097,532 | 46% |
| United Arab Emirates | 64,960,465 | 57% | 30,870,552 | 35% |
| Malaysia | 30,638 | 1% | 11,268,834 | 13% |
| Vietnam | 3,722,070 | 3% | – | – |
| Other countries | 7,509,084 | 6% | 5,202,047 | 6% |
| | 113,851,206 | 100% | 87,438,965 | 100% |

At the end of the reporting period, approximately:

– 50% (2016: 17%) 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 19.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

*(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 8.3% (2016: 47.7%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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<br>$ | Over 1 year<br>$ | Total<br>$ |
|---|---|---|---|
| **Group**<br>**2017** | | | |
| ***Financial assets*** | | | |
| Trade receivables | 113,851,206 | – | 113,851,206 |
| Other receivables and deposits | 5,457,937 | – | 5,457,937 |
| Accrued income | 38,949,478 | – | 38,949,478 |
| Cash and short-term deposits | 107,022,349 | – | 107,022,349 |
| Total undiscounted financial assets | 265,280,970 | – | 265,280,970 |
| ***Financial liabilities*** | | | |
| Trade payables | 23,427,803 | – | 23,427,803 |
| Other payables and accruals | 61,980,794 | – | 61,980,794 |
| Loans and borrowings | 1,029,548 | 11,836,410 | 12,865,958 |
| Total undiscounted financial liabilities | 86,438,145 | 11,836,410 | 98,274,555 |
| Total net undiscounted financial assets/(liabilities) | 178,842,825 | (11,836,410) | 167,006,415 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

*(b) Liquidity risk (cont'd)*

| | 1 year or less $ | Over 1 year $ | Total $ |
|---|---|---|---|
| **Group 2016** | | | |
| ***Financial assets*** | | | |
| Trade receivables | 87,438,965 | – | 87,438,965 |
| Other receivables and deposits | 9,485,501 | – | 9,485,501 |
| Accrued income | 20,172,993 | – | 20,172,993 |
| Bank deposits pledged | 50,525 | – | 50,525 |
| Cash and short-term deposits | 150,562,698 | – | 150,562,698 |
| Total undiscounted financial assets | 267,710,682 | – | 267,710,682 |
| ***Financial liabilities*** | | | |
| Trade payables | 28,948,991 | – | 28,948,991 |
| Other payables and accruals | 65,064,409 | – | 65,064,409 |
| Loans and borrowings | 8,975,903 | 12,903,408 | 21,879,311 |
| Total undiscounted financial liabilities | 102,989,303 | 12,903,408 | 115,892,711 |
| Total net undiscounted financial assets/(liabilities) | 164,721,379 | (12,903,408) | 151,817,971 |
| **Company 2017** | | | |
| ***Financial assets*** | | | |
| Trade receivables | 51,251,090 | – | 51,251,090 |
| Other receivables and deposits | 7,324,822 | – | 7,324,822 |
| Accrued income | 31,858,907 | – | 31,858,907 |
| Amounts due from subsidiaries | 229,273 | – | 229,273 |
| 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 | 148,751,285 | – | 148,751,285 |
| ***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 | 97,975,579 | (69,689) | 97,905,890 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

*(b) Liquidity risk (cont'd)*

| | 1 year or less $ | Over 1 year $ | Total $ |
|---|---|---|---|
| **Company 2016** | | | |
| ***Financial assets*** | | | |
| Trade receivables | 53,208,949 | – | 53,208,949 |
| Other receivables and deposits | 8,640,158 | – | 8,640,158 |
| Accrued income | 12,317,615 | – | 12,317,615 |
| Amounts due from subsidiaries | 680,738 | – | 680,738 |
| Loans due from subsidiaries | 7,505,324 | 12,472,910 | 19,978,234 |
| Cash and short-term deposits | 42,888,186 | – | 42,888,186 |
| Total undiscounted financial assets | 125,240,970 | 12,472,910 | 137,713,880 |
| ***Financial liabilities*** | | | |
| Trade payables | 13,143,235 | – | 13,143,235 |
| Other payables and accruals | 33,630,718 | – | 33,630,718 |
| Loans and borrowings | 28,740 | 69,455 | 98,195 |
| Total undiscounted financial liabilities | 46,802,693 | 69,455 | 46,872,148 |
| Total net undiscounted financial assets | 78,438,277 | 12,403,455 | 90,841,732 |

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 | 2017 $ | 2016 $ |
|---|---|---|
| | 1 year or less | |
| Financial guarantees (Note 38dii) | 3,154,000 | 10,555,429 |

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.

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

*(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"), Renminbi ("RMB"), United Arab Emirates Dirhams ("AED"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD"), MYR and AED. Approximately 35% (2016: 29%) 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.

*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/(loss) before tax as at the end of the reporting period.

| | | | Group | |
|---|---|---|---|---|
| | | | 2017 | 2016 |
| | | | Profit/(loss) | |
| | | | Increase (+)/ decrease (–) $'000 | Increase (–)/ decrease (+) $'000 |
| USD/SGD | – strengthened 3% | (2016: 3%) | +266 | +2,273 |
| | – weakened 3% | (2016: 3%) | -266 | -2,273 |
| USD/AED | – strengthened 3% | (2016: 3%) | +31 | -52 |
| | – weakened 3% | (2016: 3%) | -31 | +52 |
| MYR/SGD | – strengthened 3% | (2016: 3%) | +141 | +80 |
| | – weakened 3% | (2016: 3%) | -141 | -80 |
| RMB/SGD | – strengthened 3% | (2016: 3%) | +112 | +113 |
| | – weakened 3% | (2016: 3%) | -112 | -113 |
| AED/SGD | – strengthened 3% | (2016: 3%) | +1,706 | +474 |
| | – weakened 3% | (2016: 3%) | -1,706 | -474 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 41. 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 29, 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 | |
|---|---|---|
| | **2017** | **2016** |
| | $ | $ |
| Total borrowings (Note 24) | 9,500,554 | 18,144,421 |
| Total equity attributable to the owners of the Company | 226,603,980 | 219,392,020 |
| Total capital employed | 236,104,534 | 237,536,441 |
| Gearing ratio | 4.02% | 7.64% |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 42. 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 2017**

## 42. SEGMENT INFORMATION (CONT'D)

*(a) Business segments*

| | Project works $ | Plant maintenance and related services $ | Other operations $ | Eliminations $ | Total $ |
|---|---|---|---|---|---|
| **2017** | | | | | |
| Revenue | 234,758,249 | 183,137,904 | 682,709 | – | 418,578,862 |
| Inter-segment sales | 22,563,000 | 5,076,069 | 2,141,377 | (29,780,446) | – |
| Total revenue | 257,321,249 | 188,213,973 | 2,824,086 | (29,780,446) | 418,578,862 |
| ***Results:*** | | | | | |
| Segment results | 40,026,049 | 43,635,234 | 220,057 | – | 83,881,340 |
| Unallocated expenses and income, net | | | | | (54,246,451) |
| Interest income | | | | | 1,118,231 |
| Depreciation and amortisation | (5,758,392) | (1,430,755) | (133,595) | – | (7,322,742) |
| Unallocated depreciation and amortisation | | | | | (7,804,634) |
| Write-back/(Impairment) of trade receivables | 100,000 | 300,000 | (706,000) | – | (306,000) |
| Finance costs | | | | | (619,445) |
| Share of results of associate | – | – | 587,186 | – | 587,186 |
| Profit before tax | | | | | 15,287,485 |
| Income tax expense | | | | | (1,405,595) |
| Profit for the year | | | | | 13,881,890 |
| **Assets:** | | | | | |
| Additions to property, plant and equipment | 2,143,964 | 2,066,882 | 855,146 | – | 5,065,992 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 42. SEGMENT INFORMATION (CONT'D)

*(a) Business segments (cont'd)*

| | Project works $ | Plant maintenance and related services $ | Other operations $ | Eliminations $ | Total $ |
|---|---|---|---|---|---|
| **2016** | | | | | |
| Revenue | 424,892,761 | 149,291,449 | 893,397 | – | 575,077,607 |
| Inter-segment sales | 22,877,826 | 1,424,634 | 2,150,090 | (26,452,550) | – |
| Total revenue | 447,770,587 | 150,716,083 | 3,043,487 | (26,452,550) | 575,077,607 |
| ***Results:*** | | | | | |
| Segment results | 72,328,678 | 33,576,946 | 230,275 | – | 106,135,899 |
| Unallocated expenses and income, net | | | | | (59,511,711) |
| Interest income | | | | | 1,095,761 |
| Depreciation and amortisation | (5,398,362) | (1,866,937) | (353,492) | – | (7,618,791) |
| Unallocated depreciation and amortisation | | | | | (8,316,102) |
| Impairment loss on property, plant and equipment | (211,418) | – | – | – | (211,418) |
| (Impairment)/write-back of accrued income, net | (138,474) | 163,427 | – | – | 24,953 |
| Impairment of trade receivables | – | (2,857,375) | (125,734) | – | (2,983,109) |
| Finance costs | | | | | (1,050,413) |
| Share of results of associate | – | – | 409,553 | – | 409,553 |
| Profit before tax | | | | | 27,974,622 |
| Income tax expense | | | | | (5,693,505) |
| Profit for the year | | | | | 22,281,117 |
| **Assets:** | | | | | |
| Additions to property, plant and equipment | 11,714,037 | 2,775,954 | 941,917 | – | 15,431,908 |

# Notes to the Financial Statements

**For the financial year ended 30 June 2017**

## 42. 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 |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **2017** | | | | | | |
| Revenue | 252,369,355 | 1,984,527 | 120,333,846 | 43,891,134 | – | 418,578,862 |
| Inter-segment sales | 26,071,082 | 18,720 | – | 3,690,644 | (29,780,446) | – |
| Segment revenue | 278,440,437 | 2,003,247 | 120,333,846 | 47,581,778 | (29,780,446) | 418,578,862 |
| **2016** | | | | | | |
| Revenue | 235,726,341 | 47,983,363 | 239,150,936 | 52,216,967 | – | 575,077,607 |
| Inter-segment sales | 25,916,387 | 14,931 | – | 521,232 | (26,452,550) | – |
| Segment revenue | 261,642,728 | 47,998,294 | 239,150,936 | 52,738,199 | (26,452,550) | 575,077,607 |

| | Singapore | Malaysia | United Arab Emirates | Others | Eliminations | Total |
|---|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ | $ |
| **2017** | | | | | | |
| Non-current assets | 113,842,543 | 3,888,084 | 8,325,726 | 13,951,229 | (41,494,594) | 98,512,988 |
| **2016** | | | | | | |
| Non-current assets | 124,500,595 | 4,492,035 | 9,853,237 | 13,971,073 | (43,654,332) | 109,162,608 |

Non-current assets information presented above consist of property, plant and equipment, investment properties, intangible assets, land use rights, investment in associate, prepayment and loans due from a subsidiary as presented in the consolidated balance sheet.

***Information about major customers***

Revenue from two major customers amount to approximately $149,100,000 (2016: $183,900,000), arising from both project works and plant maintenance and related services business segments.

## 43. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 30 June 2017 were authorised for issue in accordance with a resolution of the directors on 20 September 2017.

# Statistics of Shareholdings

**As at 18 September 2017**

## ISSUED SHARES AND VOTING RIGHTS

| | | |
|---|---|---|
| Number of Issued shares (including Treasury Shares) | – | 255,157,000 |
| Number of Issued shares (excluding Treasury Shares) | – | 254,617,792 |
| Number / Percentage of Treasury Shares | – | 539,208 (0.2%) |
| Voting rights | – | One vote for each ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 13 | 0.62 | 472 | 0.00 |
| 100 – 1,000 | 115 | 5.53 | 95,336 | 0.04 |
| 1,001 – 10,000 | 1,057 | 50.82 | 6,978,878 | 2.74 |
| 10,001 – 1,000,000 | 870 | 41.83 | 43,213,745 | 16.97 |
| 1,000,001 AND ABOVE | 25 | 1.20 | 204,329,361 | 80.25 |
| **TOTAL** | **2,080** | **100.00** | **254,617,792** | **100.00** |

## SUBSTANTIAL SHAREHOLDERS

| NAME OF SUBSTANTIAL SHAREHOLDERS | NO. OF SHARES DIRECT INTEREST | DEEMED INTEREST | TOTAL NO. OF SHARES | % |
|---|---|---|---|---|
| Tian San Company (Pte.) Limited | 85,750,000 | – | 85,750,000 | 33.68 |
| Edna Ko Poh Thim [(1)] | 35,012,338 | 85,750,000 | 120,762,338 | 47.43 |
| Mark Ko Teong Hoon | 23,624,475 | – | 23,624,475 | 9.28 |

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, Cap. 50.

# Statistics of Shareholdings

**As at 18 September 2017**

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | TIAN SAN COMPANY (PTE.) LIMITED | 85,750,000 | 33.68 |
| 2 | KO POH THIM EDNA | 35,012,338 | 13.75 |
| 3 | MARK KO TEONG HOON (GAO ZHONGXUN) | 23,624,475 | 9.28 |
| 4 | DBS NOMINEES (PRIVATE) LIMITED | 8,215,675 | 3.23 |
| 5 | CITIBANK NOMINEES SINGAPORE PTE LTD | 6,206,400 | 2.44 |
| 6 | YIM CHEE CHONG | 5,035,000 | 1.98 |
| 7 | WONG PENG | 5,032,662 | 1.98 |
| 8 | NG KHAN TEE | 3,501,575 | 1.38 |
| 9 | KO TEOH MEI SHU SUSIE | 3,500,000 | 1.37 |
| 10 | PATRICIA KO POH CHENG | 2,982,100 | 1.17 |
| 11 | MELISSA PEONY KO LU TENG | 2,668,950 | 1.05 |
| 12 | KO PECK HOON OR SEAH LEE HUANG | 2,523,400 | 0.99 |
| 13 | DB NOMINEES (SINGAPORE) PTE LTD | 2,446,400 | 0.96 |
| 14 | DBS VICKERS SECURITIES (SINGAPORE) PTE LTD | 2,182,900 | 0.86 |
| 15 | LEE MAY PENG MAISIE | 1,750,000 | 0.69 |
| 16 | UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED | 1,747,524 | 0.69 |
| 17 | PHILLIP SECURITIES PTE LTD | 1,683,900 | 0.66 |
| 18 | KO LU SEIN | 1,600,000 | 0.63 |
| 19 | RAFFLES NOMINEES (PTE) LIMITED | 1,514,500 | 0.59 |
| 20 | UOB KAY HIAN PRIVATE LIMITED | 1,342,100 | 0.53 |
| | **TOTAL** | **198,319,899** | **77.91** |

## PERCENTAGE OF SHAREHOLDING HELD IN PUBLIC HANDS

Based on the information available to the Company as at 18 September 2017, approximately 32.94% 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 Anson II Level 2, M Hotel, 81 Anson Road, Singapore 079908 on Friday, 27 October 2017 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 2017 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt One-Tier Final Dividend of 2.0 cents per ordinary share and a Special Dividend of 0.5 cent per ordinary share for the financial year ended 30 June 2017. **(Resolution 2)**

3. To re-elect Mr Wong Peng, being a Director who retires by rotation pursuant to Article 114 of the Constitution of the Company. [See Explanatory Note (i)] **(Resolution 3)**

4. To note the retirement of Mr Chia Kim Huat as a Director of the Company who retires by rotation pursuant to Article 114 of the Constitution of the Company, and who will not be seeking re-election. [See Explanatory Note (ii)]

5. To approve the payment of Directors' fees amounting to S$230,000 for the financial year ending 30 June 2018, to be paid quarterly in arrears. **(Resolution 4)**

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 5)**

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. **APPOINTMENT OF DIRECTOR**

THAT Ms Tan Whei Mien, Joy be appointed as an Independent Director of the Company, to hold office from the conclusion of this Annual General Meeting until the next Annual General Meeting. [See Explanatory Note (iii)] **(Resolution 6)**

9. **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

# Notice of Annual General Meeting

(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

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) the fifty per cent. (50%) limit under sub-paragraph (i) above, may be increased to one hundred per cent. (100%) where the Company undertakes a pro-rata renounceable rights issue in accordance with, and subject to the terms and conditions set out in Practice Note 8.3 in the Listing Manual of the SGX-ST ("**Rights Issue Limit**");

(iv) the aggregate number of shares issued pursuant to the authority conferred by this Resolution shall not exceed 100% 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) above);

# Notice of Annual General Meeting

(v) 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

(vi) 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 (iv)] **(Resolution 7)**

10. **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;

# Notice of Annual General Meeting

(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),

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 (v)] **(Resolution 8)**

# Notice of Annual General Meeting

11. **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 (vi)] **(Resolution 9)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 10 October 2017

**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.

# Notice of 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 3** is to re-elect Mr Wong Peng as a Director of the Company. Mr Wong Peng, upon re-election, will remain as a Non-Executive and Non-Independent Director.

(ii) Upon his retirement, Mr Chia will cease as the Chairman of the Nominating Committee and a member of the Audit and Risk Management Committee and Remuneration Committee.

(iii) **Resolution 6** is to appoint Ms Tan Whei Mien, Joy as an Independent Director of the Company. Pursuant to Article 117 of the Company's Constitution, Ms Tan has been nominated for appointment as an Independent Director by the Directors of the Company and has given her consent to her nomination and her candidature for the office. The Nominating Committee has reviewed Ms Tan's curriculum vitae and declaration of independence and is satisfied that Ms Tan has met the requisite standards as required by the Code of Corporate Governance 2012 (the "Code"). The Nominating Committee is also satisfied that Ms Tan is considered as independent under the Code.

Key information and profile of Ms Tan Whei Mien, Joy

Ms Tan Whei Mien, Joy is the Deputy Head of the Commercial & Corporate Disputes Practice and the Joint Head of 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 and Securities and Futures Act, including in relation to corporate fraud, anti-money laundering issues and insider trading.

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.

# Notice of Annual General Meeting

(iv) **Resolution 7** proposed in item 9. 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.

The allotment and issuance of shares in the Company up to one hundred per cent. (100%) of its issued capital by way of a pro-rata renounceable rights issue is a temporary waiver of Rule 806(2) to widen the available fund-raising avenues of the issuers that may be facing challenges amid current uncertainties and the tightening of financial conditions and will be in effect until 31 December 2018.

The aforesaid mandate to issue up to one hundred per cent. (100%) of the Company's issued capital is conditional upon the following:

(i) such issue is for the purpose of financing the Company's business needs and is not applicable to a non-renounceable rights issue;

(ii) the Company making periodic announcements on the use of the proceeds as and when the funds are materially disbursed; and

(iii) the Company providing a status on the use of proceeds in the annual report.

This mandate, if passed, will provide the Directors with an opportunity to raise funds and avoid prolonged market exposure by reducing the time taken for shareholders' approval, in the event the need arises. The Board of Directors of the Company is of the view that the Rights Issue Limit is in the interests of the Company and its shareholders.

(v) **Resolution 8** proposed in item 10. 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 10 October 2017 (the "**Letter**").

# Notice of Annual General Meeting

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 2017 is set out in paragraph 2.7 of the Letter.

(vi) **Resolution 9** proposed in item 11. 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 13,347,764 shares have been granted under the Plan of which 1,492,192 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.

# PEC LTD.

(Incorporated in Singapore)
(Registration No. 198200079M)

## Proxy Form

**(Please see notes overleaf before completing this Form)**

**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.

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 Anson II Level 2, M Hotel, 81 Anson Road, Singapore 079908 on Friday, 27 October 2017 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 2017 **(Resolution 1)** | | |
| 2 | Approval of Tax Exempt One-Tier Final Dividend and a Special Dividend **(Resolution 2)** | | |
| 3 | Re-election of Mr Wong Peng as a Director **(Resolution 3)** | | |
| 4 | Approval of Directors' fees amounting to S$230,000 for the financial year ending 30 June 2018, to be paid quarterly in arrears **(Resolution 4)** | | |
| 5 | Re-appointment of Messrs Ernst & Young LLP as Auditors **(Resolution 5)** | | |
| 6 | Any other business | | |
| | **SPECIAL BUSINESS** | | |
| 7 | Appointment of Ms Tan Whei Mien, Joy as an Independent Director of the Company **(Resolution 6)** | | |
| 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 (P) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2017

| **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.

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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 10 October 2017.

## BOARD OF DIRECTORS

**Edna Ko Poh Thim** (Executive Chairman)
**Robert Dompeling** (Group Chief Executive Officer)
**Wong Peng** (Non-Executive and Non-Independent Director cum Advisor)
**Dr Foo Fatt Kah** (Lead Independent Director)
**Chia Kim Huat** (Independent Director)
**David Wong Cheong Fook** (Independent Director)

## AUDIT AND RISK MANAGEMENT COMMITTEE

**David Wong Cheong Fook** – Chairman
**Chia Kim Huat**
**Dr Foo Fatt Kah**

## REMUNERATION COMMITTEE

**Dr Foo Fatt Kah** – Chairman
**Chia Kim Huat**
**David Wong Cheong Fook**

## NOMINATING COMMITTEE

**Chia Kim Huat** – Chairman
**Dr Foo Fatt Kah**
**David Wong Cheong Fook**

## JOINT COMPANY SECRETARIES

**Abdul Jabbar Bin Karam Din**, LLB (Hons)
**Loh Lee Eng**, ACIS

## SHARE REGISTRAR

**RHT Corporate Advisory Pte. Ltd.**
9 Raffles Place
#29-01 Republic Plaza Tower 1
Singapore 048619

## 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

**Standard Chartered Bank**
6 Battery Road
Singapore 049909

## REGISTERED OFFICE

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Website : www.peceng.com

COMPANY REGISTRATION NUMBER
198200079M



**PEC LTD.**

(Co. Registration No.:198200079M)

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