





PEC LTD.

FOCUSED STRATEGIES EXPANDING REACH

ANNUAL REPORT 2018

CONTENTS

02 Corporate Profile

03 Business Strategy

05 Financial Highlights

06 Chairman's Message

08 Board of Directors

11 Global Presence

12 CEO's Message

15 Sustainability Report

33 Financial Statements

Corporate information

Proxy Form

FOCUSED STRATEGIES





EXPANDING REACH

At PEC, we are always building on our processes and capabilities, with passion and commitment to excellence. These values have driven us to stay abreast of emerging trends in the process industry, enabling us to respond quickly and decisively to capture new opportunities, even in challenging operating conditions.

A major trend which has emerged is digitalisation which is set to transform the process industry to work smarter – to be more efficient and cost-effective – in an even safer environment. Our focused strategies to integrate new technology seamlessly into our work processes, as well as to equip our people at all levels with relevant skills, have prepared us well for what is to come, and to build a sustainable future for PEC.

Together with our established reputation and track record in the industry, we shall push ahead, tapping on the growing opportunities to expand our reach in maintenance and project works, as well as in adjacent industries, in the region and beyond.

Corporate Profile









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

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

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

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

With our established processes and methodologies, PEC aims to be the engineering specialist of choice for customers. To better meet clients' 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 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.

Business Strategy

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

STRENGTHEN OUR GLOBAL FOOTPRINT

We have made much headway since our first expansion outside Singapore in the early 1990s. Today, we have an established network of engineering facilities, 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 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 industry 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 medium to long-term.

S$11.7m

Net Profit After Tax

DEVELOPING PEOPLE

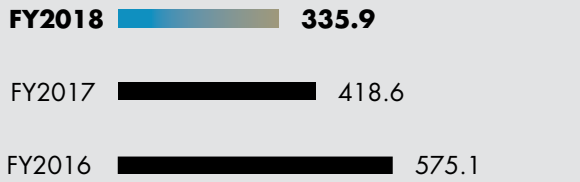
Equipping our people with relevant, future-ready skills strengthens the depth of our capabilities, keeping us ahead amid the process industry's changing landscape.



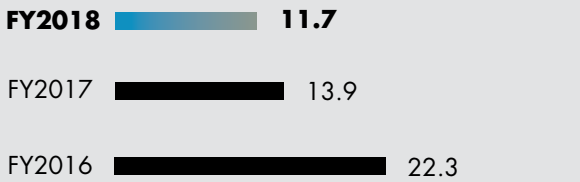
DEEPENING CAPABILITIES

Financial Highlights

Revenue
(S$ m)



Net Profit After Tax
(S$ m)



KEY FINANCIAL RATIOS	FY2016	FY2017	FY2018[1]
Earnings per Share (cents)[2]	7.4	6.2	**4.1**
Net Asset Value per Share[3] (cents)	86.7	89.0	**90.5**
Gross gearing (%)[4]	8.3	4.2	**3.7**
		As at 30 June	
BALANCE SHEET (S$ million)	**FY2016**	**FY2017**	**FY2018**
Non-current assets	110.5	101.8	**95.5**
Current assets	289.6	274.1	**250.8**
Current liabilities	156.2	131.6	**96.7**
Non-current liabilities	11.6	10.5	**9.5**
Shareholders' equity	219.4	226.6	**231.2**
Minority Interest	12.9	7.3	**8.9**
CASHFLOW STATEMENT (S$ million)	**FY2016**	**FY2017**	**FY2018**
Net cash (used in)/generated from operating activities	56.4	(25.7)	**(7.1)**
Net cash (used in)/generated from investing activities	1.7	(4.7)	**(6.0)**
Net cash used in financing activities	(17.5)	(15.0)	**(7.6)**
Cash & cash equivalents at beginning of financial year	113.0	150.6	**107.0**
Cash & cash equivalents at end of financial year	150.6	107.0	**86.7**

Notes :
(1) In FY2018, PEC reissued 539,184 and purchased 200,000 treasury shares, and issued 557,763 new ordinary shares. As at 30 June 2018, PEC has 255,514,739 issued ordinary shares excluding treasury shares.
(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 Shareholders of the Company) by the share capital as at the end of financial year.
(4) Gross gearing is computed using the total loans and borrowings of the Group divided by the equity attributable to owners of the Company.

Chairman's Message



4.1 S¢
Earnings Per Share

Dear Shareholders,

PEC achieved a revenue of S$335.9 million for the financial year ended 30 June 2018 (FY2018), despite the challenging environment and intense competition. Our maintenance services segment performed well, reporting a record revenue of S$226.6 million of which the main contribution arose from China, Vietnam and Singapore.

Group net profit after tax came in at S$11.7 million in FY2018 against S$13.9 million previously.

FOCUSED STRATEGIES, EXPANDING REACH

Over the years, the Singapore government has developed Jurong Island to become one of the world's leading energy and chemical hubs. Its highly integrated infrastructure seamlessly connects customers to their suppliers in an ecosystem which includes reliable utilities supply and an efficient logistics hub.

As such, Singapore remains an important home market for PEC. Backed by our established track record and proven capabilities as a single-source turnkey engineering, procurement, construction and maintenance services provider, we are well-positioned to tap on opportunities that arise as the country continues to attract investments in existing and new facilities.

Our strategic focus on our clients – serving them well and growing with them – and on our people – their well-being and skill development – has seen the Group expand our capabilities, customer base as well as presence and brand equity in Asia and the Middle East.

"Our strategic focus on our clients – serving them well and growing with them – and on our people – their well-being and skill development – has seen the Group expand our capabilities, customer base as well as presence and brand equity in Asia and the Middle East."

For PEC, our ability to adapt to the structural and operating changes in the process industry is firmly grounded on our clear and consistent five-prong strategy – strengthen our global footprint, keep a balanced revenue stream, add to niche capabilities and products, deepen existing engineering capabilities, and explore adjacent industries – which is well-supported by the Group's healthy balance sheet and strong financial discipline.

More than that, we are constantly improving on our processes so that we remain relevant. In addition, the ongoing skill training of our staff in Singapore and overseas centres, together with our investments in technology, allow us to quickly assemble specialist teams to compete effectively and meet the varied requirements of our clients. This focus has also enabled us to integrate our capabilities, giving PEC the flexibility to tap on the experience and expertise in either project works or maintenance services and help us achieve a balanced revenue stream in our key markets.

PROSPECTS AND OUTLOOK

The investment pipeline in the oil and gas sector looks more visible over the medium term. We are therefore cautiously optimistic of a better year ahead. The improved prospects in the industry, however, could be hindered by growing trade tensions and other geopolitical factors.

Our focused strategies have taken us to where we are today. Our clients trust in our ability to deliver well to their exacting standards. Our people trust us to lead them safely into the future. We will continue to build on this trust to grow our brand and our reach in existing and targeted new segments across Asia and the Middle East, tapping on the synergies garnered from our integrated project and maintenance capabilities.

The wave of digitalisation is making its way into the process industry and is set to change the way we work and operate in the future. The gradual introduction of wireless infrastructure and the use of smart mobile devices within the plants to deliver mobility solutions to support key operational work processes are poised to raise productivity. We have done much to prepare ourselves and I have every confidence in our people and processes that we are ready for the smart plant of tomorrow, today.

SUSTAINABILITY REPORTING

Embracing sustainability is fundamental to the long-term development and growth of our business. At PEC, we have always recognised the responsibility and necessity to consider the environmental and social impact of all that we do, even as we work towards improving our financial performance. In fact, we have been reporting on our efforts to uphold high standards of health, safety, environment, staff development and community outreach since our second year as a public-listed entity. This year, we are pleased to issue our first Sustainability Report, which is line with guidelines from the Singapore Exchange and is based on the Global Reporting Initiative framework.

PROPOSED DIVIDEND

As a token of appreciation to our shareholders for their unwavering support and confidence in PEC, the Board has proposed a final tax-exempt, one-tier dividend of 2.0 S¢ per ordinary share for FY2018. If approved by shareholders at the Annual General Meeting scheduled for 25 October 2018, the total payout will be S$5.1 million.

ACKNOWLEDGMENTS AND APPRECIATION

We would like to extend a warm welcome to Ms Tan Whei Mien, Joy who joined our Board as an Independent Director on 27 October 2017. We look forward to her continued contribution as the Chairman of the Nominating Committee as well as a member of the Remuneration, and Audit and Risk Management committees.

The Board and I would also like to thank our staff for their hard work and commitment to excellence. Their dedication to uphold high standards in service levels and workplace safety have helped PEC grow its reputation and leadership in the industry regardless of the operating conditions. Together, I am certain we shall build a sustainable future for the Group.

To our shareholders, clients and business partners, we are deeply grateful for their unwavering support and confidence in our capabilities, processes and focused strategies to build a stronger PEC as we grow our geographical presence and entrench ourselves amongst the leaders in existing key and new sectors.

Edna Ko Poh Thim
Executive Chairman



EDNA KO POH THIM
Executive Chairman

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

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

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

ROBERT DOMPELING
Group Chief Executive Officer

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

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

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

WONG PENG
Non-Executive and Non-Independent Director

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

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

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



DR FOO FATT KAH
Lead Independent Director

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

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

TAN WHEI MIEN, JOY
Independent Director

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

Ms Tan is also a partner of WongPartnership LLP and is the 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 the University of Cambridge 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.

DAVID WONG CHEONG FOOK
Independent Director

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

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

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

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

IMPROVING PROCESSES

Incorporating innovation that improves our work processes, streamlines costs and raises efficiency, upholding our growth as we step into the future.



RAISING EFFICIENCY

90.5 sȼ

Net Asset Value Per Share

Global Presence

Our established and strategically located network of engineering facilities and/or offices 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.



CEO'S Message



S$ 335.9m
Revenue

Dear Shareholders,

The investment climate for the oil & gas sector in Asia and the Middle East improved from a year ago with the pickup in confidence after crude oil prices climbed. Projects, especially the major ones, are only beginning to come onstream after being deferred in the last few years, resulting in a decline in PEC's contributions from project works. The impact of this was buffered by recurring income from our maintenance division which achieved an all-time high maintenance revenue of S$226.6 million for the financial year ended 30 June 2018 (FY2018).

During the year, in line with our commitment to building our business in a sustainable manner, we have carefully channelled resources to developing our people, as well as integrating new work processes and technologies aimed at raising productivity and safety into different levels of our operations. These are strategies which prepare us well to ride on the growing opportunities we see in the refining, petrochemical and chemical industries.

FINANCIAL REVIEW

Revenue and Profit

With the lower project works revenue following the completion of projects in FY2017, PEC reported a revenue of S$335.9 million for FY2018, supported by the improved performance in overseas maintenance services. As a result, net profit after tax decreased by 16% to S$11.7 million in FY2018 against S$13.9 million previously. Excluding the impact of foreign exchange, net profit after tax was S$11.8 million for FY2018 as compared with FY2017's S$10.5 million.

30.6 S¢
Net Cash Per Share

Balance Sheet and Cashflow Statements

PEC reported an operating cashflow before working capital changes of S$30.4 million in FY2018, an increase from FY2017's S$27.3 million. Increases in contracts-in-progress and accrued income, together with a decrease in trade receivables and prepayments, resulted in a net cashflow used in operating activities of S$7.1 million.

At the same time, investment in an industrial site in Vietnam for the construction of PEC's ninth integrated fabrication and maintenance facility, as well as the purchase of construction equipment, motor vehicles and office equipment to support our operations, contributed to the rise in net cashflow used in investing activities to S$6.0 million.

Despite the decrease in cash and cash equivalents of S$20.6 million, PEC maintained a healthy balance sheet with a net cash position of S$78.3 million.

Segmental Performance

PEC reported a 24% growth in revenue from maintenance services to S$226.6 million. The main contribution of the division's revenue came from maintenance, turnaround and commissioning work in China, Vietnam and Singapore.

The Group's higher maintenance revenue helped to partially buffer the revenue decline from project works, which fell from S$234.8 million in FY2017 to S$108.8 million in FY2018.

In terms of geographical segment, revenue from Singapore decreased to S$212.0 million in FY2018, from S$252.4 million previously. On the other hand, revenue from other countries, which include Vietnam and China, rose from S$43.9 million in FY2017 to S$76.7 million in FY2018.

BUSINESS REVIEW

Focused on Progress

Entrenching Our PEC brand in Vietnam

Since securing the seven-year daily maintenance contract for Vietnam's Nghi Son Refinery and Petrochemical (NSRP) Complex in FY2017, we have been involved in the start-up, commissioning and maintenance of the plant.

Construction of PEC's ninth integrated fabrication and maintenance facility, situated right opposite the NSRP Complex, is progressing on schedule and is expected to be completed in 3QFY2019. The fabrication yard, training centre and engineering workshops will enable us to provide even more timely and reliable support to our client.

Maintaining A Steady Presence in China

Over in China, we have stepped up our provision of maintenance services for an existing client and expanded our reach to new customers. The resultant revenue increase from China contributed to the 24% rise in PEC's FY2018 maintenance services revenue.

Fortifying Our Position in Singapore

In Singapore, the switch to 'cleaner fuels', changes in product demand and the push for greater efficiency have largely driven investments by oil majors in the upgrading and expansion of existing plants as well as in new facilities. Supported by our strong track record and multi-disciplinary skill sets, PEC continues to maintain its leading position in Singapore's maintenance services market. In fact, revenue from Singapore, comprising largely maintenance services, was the Group's strongest revenue contributor in FY2018.

Focused on Processes

Strengthening Our Foundation

Over the years, we have developed well-defined job scopes and the relevant skill sets so we can quickly assemble teams to work on the various maintenance work and projects we have on hand. We are now able to align planning and execution activities from the front-end engineering design stage and throughout the project life cycle, allowing us to offer a comprehensive range of services locally and across geographical borders.

Ready for the Smart Plant of Tomorrow, Today

We are witnessing the increasing impact of digitalisation in the day-to-day operations of refining, petrochemical and chemical facilities around the world. At PEC, we fully appreciate the benefits of using information and communications technology to enhance reliability, safety, performance and productivity. As such, we have been readying our staff and operations for the implementation of wireless communications technology that provides real-time information to enable us to carry out our work more efficiently.

Focused on People

Multi-skilling Our Workforce

Constraints in hiring more foreign labour in Singapore and the call to raise productivity across all industry segments have resulted in higher demand for skilled workers.

At PEC, we have kept ahead of this trend through our ongoing Multi-Skill Incentive Programme which equips our teams with multiple skill sets to handle diverse tasks wherever they are deployed. In fact, we stepped up the multi-disciplinary training for workers and supervisory staff during the year.

Building Up Our Overseas Teams

The Group has also been building up the skills of our people overseas over the last five years, especially in Vietnam. Our structured training programmes ensure the quality of our local teams' work at the facility over the duration of our maintenance contract.

Through our various programmes, engineers from Southeast Asia are brought to Singapore for training before they are deployed back in their home countries. In addition to upholding consistency and quality in PEC's work ethic and standards across the Group, this practice enables us to provide jobs for the communities where our projects are located.

Upholding High Safety and Health Standards

We have always been committed to ensuring the safety and well-being of our people. PEC's extensive accolades from the Workplace, Safety and Health Council – including 11 awards secured in July this year – as well as the National Fire and Civil Emergency Preparedness Council are testament of our care for staff welfare.

LOOKING AHEAD

Demand for refined oil products, petrochemicals and chemicals is expected to remain firm over the medium term, supported by the global economic upswing that began around mid-2016. At the same time, the increase in oil prices as well as the need to comply with stricter energy and environmental regulations have resulted in higher capital expenditures in downstream facilities, adding to the improving prospects in the process industry. However, growing trade tensions and other geopolitical factors could potentially impede the upturn.

Asia's existing infrastructure is undergoing a wave of upgrading and modification, and new facilities are also now under construction to manufacture petrochemical products and higher grade 'cleaner' refined oil products in the region and the Middle East. These factors are expected to support demand for both maintenance services and project works over the medium term.

These investments present opportunities for the Group, backed by its integrated project and maintenance capabilities and strong reputation in the industry. As competition remains keen, PEC will exercise prudence in bidding for new contracts and in the use of resources, especially labour. Our experience in managing these resources will also help us to quickly adapt to the industry's shift towards longer-term maintenance contracts.

Southeast Asia

Singapore's demand for maintenance services will be driven by the upkeep and turnaround work on existing refineries and petrochemical complexes. Plant upgrades to comply with stricter energy and environmental regulations are also in progress. At the same time, with international oil companies stepping up their investments in the country, the project works pipeline is expected to pick up.

Vietnam's goal of achieving self-sufficiency in petroleum products and energy security has been driving the development of its domestic petrochemical industry. Existing plants are slated to undergo upgrade and expansion and there are also new projects in the pipeline which will require engineering, procurement and construction work. Our presence in the country will serve us well as we seek to ride on these opportunities to expand our business here.

Middle East

The rising investments in downstream processing capacity, from the United Arab Emirates (UAE) to Saudi Arabia, is driven by its diversification from crude into the refining, petrochemical and liquefied natural gas sectors. As a result, the region is now building new generation complex plants.

These facilities, together with upgrades and expansions at existing plants, augur well for PEC. Having already established our reputation with the completion of three major project works contracts at Fujairah, we can leverage on our experience to carve a greater foothold in project works and also build our maintenance presence in the region, particularly in the UAE.

Robert Dompeling
Group Chief Executive Officer

Sustainability Report

ABOUT THIS REPORT

We are pleased to present our first annual sustainability report. This report outlines how we manage the Environmental, Social and Governance (ESG) impact of our business activities. It covers our ESG activities and performance for financial year ending on 30 June 2018. The report focuses on issues we considered significant through a materiality assessment completed in 2017.

This report has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. We have also aligned the report with the Sustainable Development Goals (SDGs). The report complies with the SGX-ST Listing Rules (711A and 711B) and the SGX Sustainability Reporting Guide. A GRI Content Index presented at the end of the report, indicates the location of the relevant disclosures.

Environmental performance data included in this report are limited to our operations in Singapore which we own and operate unless stated otherwise. Employee data and safety performance data cover the PEC Group.

Assurance
We have not sought external assurance for the ESG data included in this sustainability report. Instead, we have relied on internal verification mechanism to ensure accuracy of the data presented in the report.

Contact
If you have any questions about this report, please contact us: ir@peceng.com

ESG PERFORMANCE HIGHLIGHTS

ESG PERFORMANCE SUMMARY			
ESG FACTORS	FY2016	FY2017	**FY2018**
ENVIRONMENTAL			
Electricity consumption (kWh)	2,711,641	2,153,769	**1,830,387**
Carbon emissions (tCO_2)[1]	4,533	4,196	**3,106**
Energy consumption (GJ)[1,2]	59,632	56,157	**40,895**
Water (m^3)	36,526	31,200	**25,892**
SOCIAL			
Employees			
Full-time employees	5,727	5,448	**6,051**
Average training hours per employee	24.7	34.0	**46.6**
Training expenditure per employee (S$)	463	826	**992**
Total training expenditure (S$'000)	2,623	4,703	**4,478**
Occupational Health and Safety[3]			
Lost Time Incident Rate (LTIR)[4]	0.04	0.09	**0.04**
Community			
Employee volunteering (hours)	952	727	**651**
ECONOMIC (S$'M)			
Revenue	575.1	418.6	**335.9**
Profit after tax	22.3	13.9	**11.7**
Staff costs / Employee benefits expenses	173.0	149.1	**139.2**
Income tax expense	5.7	1.4	**2.6**
Dividend (declared and paid)	2.5	7.6	**6.4**

Notes:
1. CO_2 emissions and energy figures relate to electricity and diesel consumption.
2. Energy figures include direct and indirect energy.
3. Environmental and Occupational Health and Safety data is for PEC's Singapore facilities only.
4. Lost Time Incident Rate (LTIR) is the rate of an incident occurring every 200,000 manhours.

Sustainability Report

STAKEHOLDER ENGAGEMENT

As an established integrated provider of maintenance services and project works, we engage with various stakeholders to gain their input, insights and perspectives. Listening to stakeholders is an important aspect of our overall business approach that focuses on developing a multi-skilled workforce, upholding high standards in quality, health and safety, driving innovation to improve our processes and methodologies and adding complementary capabilities.

We also engaged internal stakeholders throughout FY2018 to identify and prioritise significant ESG issues through a materiality assessment. We engage with various external stakeholders throughout the year across our business.

Our ongoing stakeholder engagement efforts are outlined in the table below.

STAKEHOLDER ENGAGEMENT			
Stakeholder Group	**How We Engage**	**Stakeholders' Expectations**	**Our Response**
Customers	Regular meetings, customer satisfaction surveys and feedback.	On-time delivery of projects, safety standards and performance, quality, cost efficiency, productivity and adequate resources.	Rigorous project planning, adopting stringent health and safety standards, implementing continuous improvement, regular training for skills development, focus on innovation.
Employees	Department meetings, team building activities, performance appraisal, frequent feedback, surveys and training programmes.	Fair treatment, personal development and career progression, workplace safety, recognition and work-life balance.	Open door policy for promoting transparency and communication, strict implementation of workplace health and safety standards, ongoing training programmes for skills development, welfare programmes, and competitive compensation and benefits.
Suppliers	Pre-qualification feedback, quotations and proposals, site visits and quality audits.	Fair business practices, payment according to contracts, business continuity and long-term relationship.	Fair selection process, clarity of specifications and requirements, efficient processing of payments, fair treatment and partnering for mutual growth.
Regulators	Industry meetings, seminars, inspections and submission of information when requested and responding to surveys.	Regulatory compliance and participation in various programmes to engage the industry.	Governance, policies and procedures to comply with applicable laws and regulations, regularly updating policies in line with emerging regulatory changes.
Investors	Annual General Meetings, regular announcements on the website and the Singapore Exchange (SGX) portal, press releases, Annual Report, dedicated webpage for Investor Relations, and briefings for analysts, investors and fund managers.	Robust management, transparency, business growth, dividend and share price performance.	Robust governance, risk management, prudent management of resources, timely disclosures, and focus on business and sustainability strategies for growth and value creation.
Communities	Community engagement and initiatives.	Safety and pollution control at work sites, and support for community development.	Corporate Social Responsibility (CSR) programmes and volunteering, safe driving training for company vehicle drivers, offering internship opportunities, measures to control noise, dust and pollution at worksites, and employment for local people.

ENGAGING INDUSTRY ASSOCIATIONS

We engage with relevant trade organisations through memberships and by sharing our experience. Our membership of various associations include:

- Association of Process Industry (ASPRI)
- Investor Relations Professionals Association Singapore (IRPAS)
- National Insulation Association
- Singapore Business Federation
- Singapore Institution of Safety Officers (SISO)
- Singapore Institute of Directors (SID)
- Singapore Structural Steel Society
- Singapore Welding Society

OUR APPROACH TO SUSTAINABILITY

Our approach is to create value for our stakeholders including customers, partners, employees, suppliers, communities and investors. We focus on the material sustainability impact, risks and opportunities relevant to our business operations to drive value creation. Good governance, ethics and integrity, skills development, safety and quality, service excellence and environmental management are integral parts of our sustainability efforts.

BOARD STATEMENT

The PEC Group is committed to upholding the high standards of ethics, integrity and governance in conducting its business. The Group takes a values-based approach to its business.

The Board endorses the material ESG factors presented in this report. The Board also provides oversight of the management and monitoring of these material ESG factors, through periodic review of the key performance indicators.

CORPORATE SOCIAL RESPONSIBILITY POLICY

Our CSR Policy outlines PEC's approach to sustainability and how we conduct business to support the achievement of our vision, mission and objectives. Our CSR Policy covers four broad areas: Business Ethics, Environment and Safety, Employee Relations and Community.

Endorsed by the top management, PEC's CSR Policy aims to meet the high standards of business conduct, protect the health and safety of all those who are affected by our operations including the employees, contractors and the public, environmental stewardship, ensure that employees are treated fairly and with dignity, and to be a good corporate citizen.

HEALTH, SAFETY, SECURITY AND ENVIRONMENT POLICY

Our Group HSSE policy reflects PEC's commitment to providing a healthy, safe and secure workplace for all employees and supporting environmental protection.

The key components of the HSSE policy address ongoing employee education and training, providing resources for attaining incident-free performance, resource conservation and waste management, mitigating the risk of potential terrorist acts, ensuring continuous improvement and promoting work-life balance.

PEC Values: The 6 Cs

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

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

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

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

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

Cost Effective:
We are resourceful and we are confident and willing to benchmark our productivity, sales and profit.

Sustainability Report

REPORTING PRINCIPLES

We have applied the reporting principles outlined in the GRI Standards to develop the content of this report. GRI's principles of stakeholder inclusiveness, sustainability context, materiality, and completeness have been used to decide the report content while the principles of accuracy, balance, clarity, comparability, reliability and timeliness have been applied to ensure the quality of the report content.

MATERIALITY

In order to prepare this report, we conducted a materiality assessment with the help of an external consultant to identify the significant impact of our operations on the economy, the environment and society. We applied the materiality principles from the GRI Standards to identify the material topics for reporting. While determining the material topics, we also considered the stakeholders' expectations.

A summary of our material topics, the impact boundaries, our contribution to the impact, and our management approach and goals are presented below.

Material Factors	Impact Boundary	Our Involvement	Management Approach and Goals
Environment			
Energy Consumption	Use of electricity in offices, and the fabrication yards. Diesel consumption in on-site equipment and company vehicles.	Direct	Reduce energy consumption.
Greenhouse Gas (GHG) Emissions	Our carbon emissions result from the use of electricity and fuel.	Direct	Reduce carbon emissions through minimising use of energy.
Social			
Talent Management	PEC Group	Direct	Attract and develop a multi-skilled workforce to drive excellence. Focus on staff training and development.
Occupational Health and Safety and Quality	Engineering, procurement & construction (EPC) and EPC project management.	Direct and Indirect	Maintain the highest standards of safety and quality across our operations.
Human Rights (non-discrimination, forced labour, child labour, freedom of association and collective bargaining)	PEC Group	Direct and Indirect	Committed to respect and promote human rights.
Communities			
Local Communities	PEC Group	Indirect	Be a responsible corporate citizen.
Economic			
Economic Performance	PEC Group	Direct	Long-term sustainable growth of business with consistent value creation.
Anti-corruption	PEC Group	Direct	Maintain zero-tolerance to corruption.
Compliance	PEC Group	Direct	Ensure compliance with applicable laws and regulations.

SUSTAINABILITY GOVERNANCE

At PEC, sustainability has the Board level oversight. The Board is assisted by a Sustainability Management Council which is chaired by the Group CEO. The Council members include key management staff and function heads. The Council has the responsibility to identify, prioritise, implement and monitor the material sustainability issues in accordance with the direction set by the Board.

The Council is supported by a cross-functional sustainability reporting project team which has the responsibility to collect and verify the sustainability performance data and information.

"If you entrust your maintenance or your capital project to PEC, you can be assured that it will be delivered in a safe, timely and environmentally friendly manner."

Robert Dompeling
Group Chief Executive Officer

CUSTOMERS

Customer satisfaction remains one of our top priorities. We adopt a professional approach in meeting, and at times exceeding our customers' expectations. Our focus is on delivering what we have promised, to the satisfaction of our customers.

PRODUCT QUALITY

Quality excellence is one of PEC's core strengths. We are committed to achieving high-quality standards in all our projects. We have developed robust quality systems, checks, monitoring and tracking. Our focus on quality means improved safety performance, cost efficiency, higher productivity and timely completion of projects.

Project overruns are a common problem in the industry. Recognising the need to deliver projects on schedule, we have developed innovative systems that help us keep a close watch on the project progress and pre-empt problems that might cause delays. We invest substantial time and resources at the planning stage to ensure there is a structured execution.

All projects undertaken by PEC are required to meet our Occupational Health and Safety, Environmental and Quality (OHSEQ) management system. The OHSEQ goals and objectives are agreed upon with the customer at the commencement of each project. A quality assurance plan is included in the project execution plan which details the site organisation structure, the duties and responsibilities of each officer, the control measures, the general execution procedures and method statements to be adopted by the project team.

Under the OHSEQ, we maintain a list of approved suppliers and sub-contractors for our projects. We regularly evaluate suppliers' performance through feedback from our project personnel and quality control team.

Our quality audit team, comprising an executive officer or a senior project manager, a project supervisor and a quality executive, conducts regular audits in accordance with the OHSEQ audit schedule. Any shortcomings uncovered are rectified in accordance to the quality plan prescribed by the OHSEQ.

The quality audit team also conducts inspections during the course of the project to ensure that work is carried out according to our quality procedures, waste is minimised, site housekeeping is in good order and safety, health and the environmental issues are adequately addressed.

USING TECHNOLOGY

We are also leveraging on 3D technology which enables our project managers see online how the works are progressing in the 3D model of the plan. We have made significant investment in information technology and have established a fully equipped and adequately staffed Information Technology department to support our strategies for improving productivity, quality and project execution.

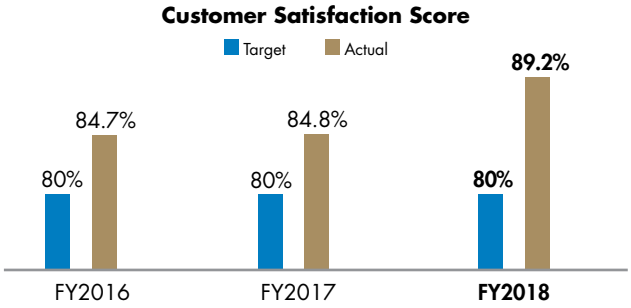
COST-EFFECTIVENESS

Achieving cost efficiency is a crucial commercial aspect for PEC and our customers. We have implemented an Executive Information System (EIS), which is our in-house developed integrated information system providing integration and functionality for our operations. It is an enterprise collaborative resource management solution that enables us to monitor the physical aspects of our operations, such as manpower numbers, equipment usage, material purchases, inventory, man-hours and payroll, safety and quality and human resource and learning matters. Our EIS is designed to assist PEC in delivering cost-effectiveness through benchmarking against key performance indicators.

Customer Satisfaction

Customer satisfaction is key to retaining customers and growing business. We seek constant feedback from customers on critical parameters to assess our performance. The results of monthly customer satisfaction surveys are reviewed by the management for making continuous improvement. The survey asks customers to rate our project performance on a range of indicators including the management responsiveness, quality of work, safety, health and environment, engineering and processes.

The customer satisfaction score for the past three consecutive years exceeded the average target of 80% and improved year on year:



Sustainability Report

PEOPLE

Our employees are one of our most valuable assets. Our approach is to inspire employees to be their best by encouraging trust, integrity, teamwork, innovation, and creativity. Our human resource policies are designed to make PEC an employer of choice.

PEC's mission statement reflects our approach to managing our human capital. Our mission includes seeking market leadership through skilled human resources, commitment to Information Technology, application of best practices and continuous improvement. PEC's values statement includes 'Continuous Learning' as a key principle that we live by.

Our policy is to ensure that all employees are treated fairly and with dignity with consideration for their goals and aspirations. We apply fair labour practices while respecting the national and local laws of the countries and communities where we operate. We are committed to creating a working culture that recognises, celebrates and harnesses differences to the benefit of customers, employees, shareholders, business partners, and the communities.

Our employees can look forward to ongoing opportunities for developing their skills throughout their employment with PEC. We help employees to discover their potential and maximise value from our learning and development facilities.

EMPLOYEES

We employed 6,051 employees as at financial year ending 30 June 2018. Singapore accounted for 75% of our total headcount. Fixed-term contract foreign workers formed 76% of our full-time workforce. Women represented 15.5% of our permanent staff. Low representation of women is a reflection of the common challenge in the EPC sector due to the physically demanding nature of the industry.

HIRING

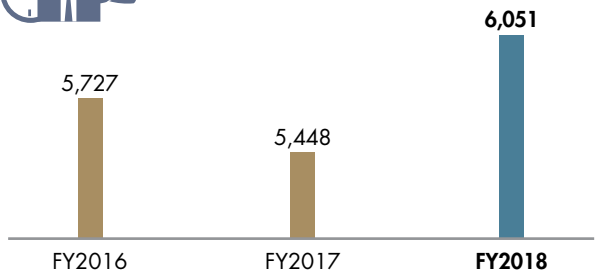
We aim to hire the best talent to support our goal to be a market leader through skilled human resources. Our Human Resources policy requires merit-based hiring on the basis of having the relevant knowledge, qualification, skills, experience and the ability to perform the job regardless of race, age, gender or marital status.

During FY2018, we hired 1,535 employees, 69.3% of whom were hired in Singapore. The two other countries with significant hiring were China (12.3%) and Malaysia (7.7%). Women comprised 5.1% of the new hires as almost all new hiring was for construction projects.

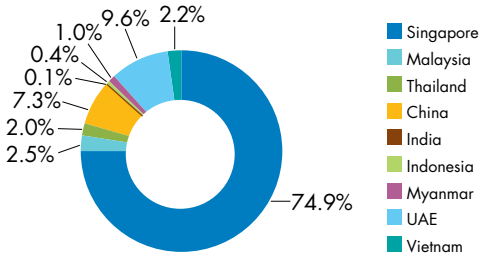
"We strive to create an empowering working environment. We have a distinct PEC culture based on strong values. Everybody is like a family and that is one of the key values."

Edna Ko Poh Thim
Executive Chairman

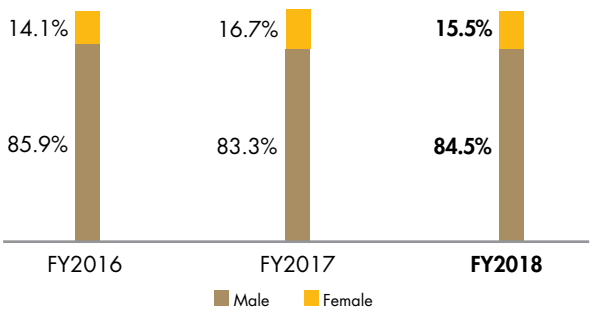
Full-Time Employees



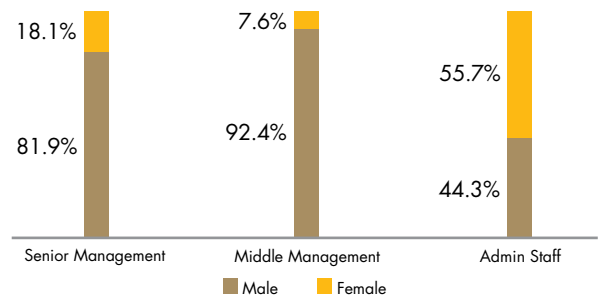
Employees by Country
FY2018



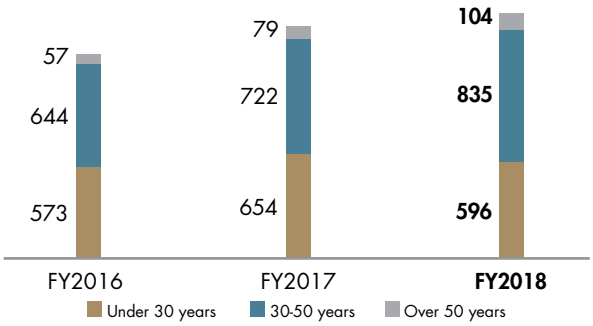
Employees by Gender
(Excluding Tradesmen)



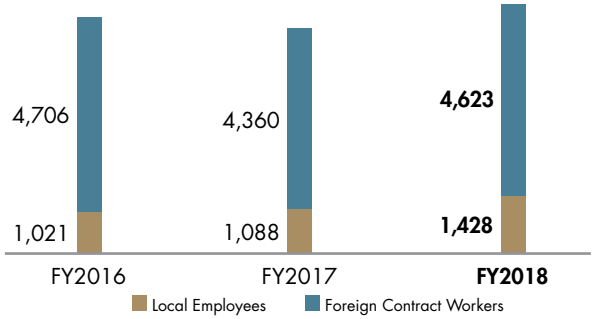
Employees by Employment Category and Gender
FY 2018



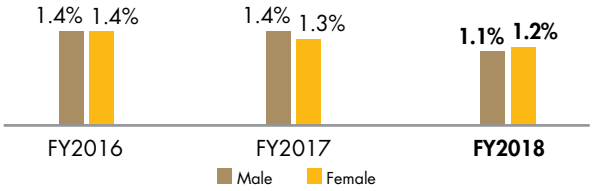
New Hires by Age Group



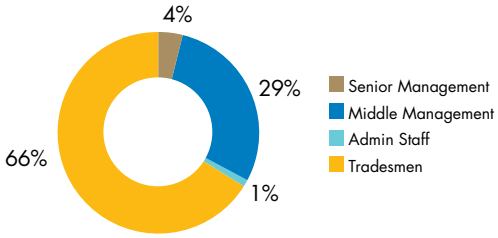
Employees by Category



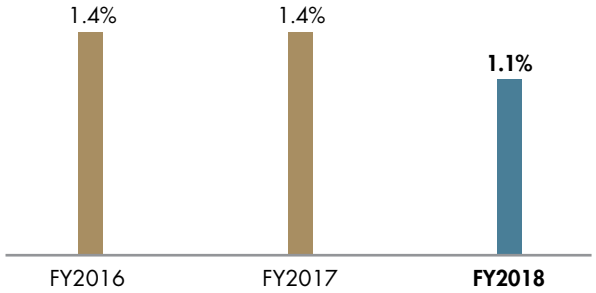
Employee Turnover Rate by Gender
(Permanent Employees)



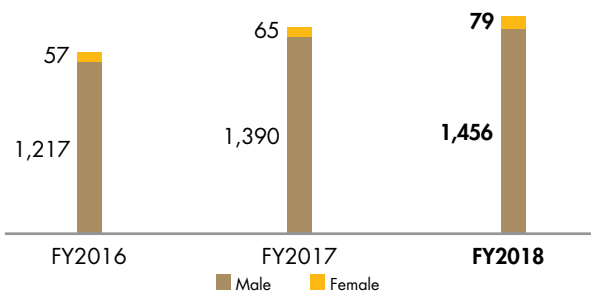
Employees by Employment Category
FY2018



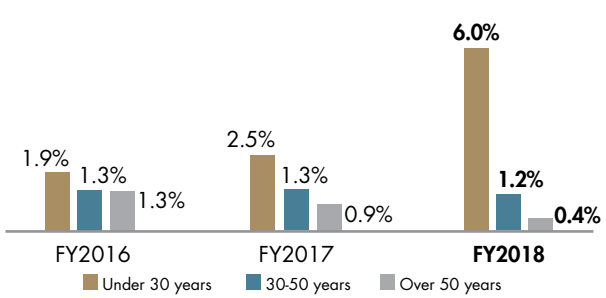
Employee Turnover Rate
(Permanent Employees)



New Hires



Employee Turnover by Age Group



Sustainability Report

LEARNING AND DEVELOPMENT

Ongoing investment in learning and development is crucial for improving the performance of our people and enhancing the quality of services we provide to our customers. Therefore, continuously developing skills of our employees is a priority for us.

We have implemented a Learning and Development (L&D) Policy in accordance with ISO 29990 standard which specifies requirements for providers of learning services in non-formal education and training. Our L&D programs aim to provide adequate opportunities for the employees to learn and acquire new skills and sharpen their talents in their practices at the workplace.

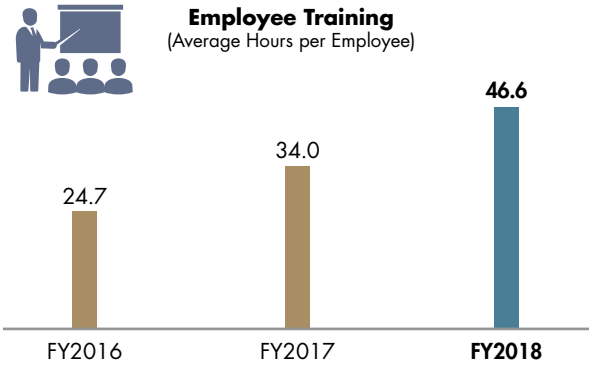
The L&D plan includes developing and implementing a training matrix for each site, department and project to build and ensure the required competencies needed for various jobs.

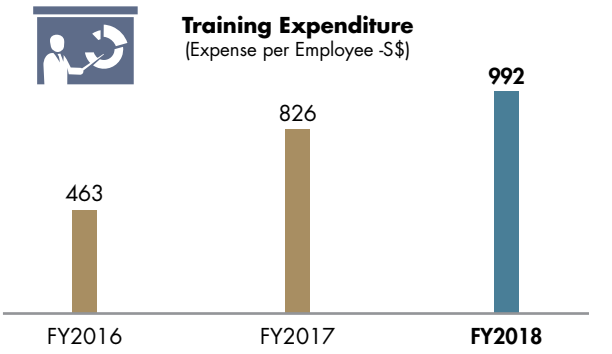
We have spent $11.8 million in the past three years on employee training. In FY2018, our average training expenditure per employee was S$992, higher than S$826 in the preceding year. On an average, our employees received 46.6 hours of training in FY2018, significantly higher than 34.0 hours of training in the prior year.

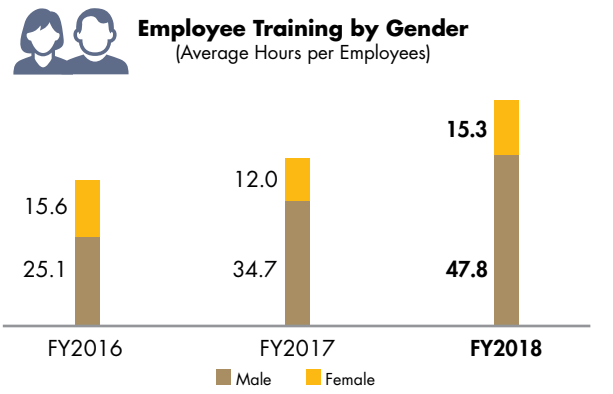
Training Centre

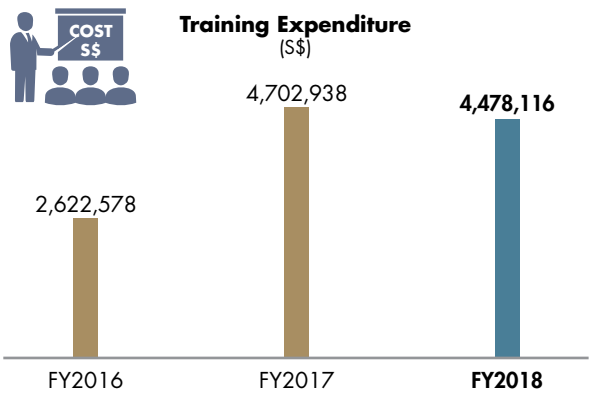
We are a specialised business with specialised resources, so that is also the reason why we have established a dedicated learning centre. We have several ongoing training programmes for our employees at the learning centre. Our well-equipped accredited training and testing facilities in Singapore provide skills training and certification for our employees. Workers of other companies can also attend courses at our Training Centre for a fee. Our training facility is qualified to provide training and certifications in the following skill areas:

- As an Approved Learning Service Provider by Singapore Accreditation Council (SAC) for Work-at-Heights course, Managing Work-at-Heights and Metal Scaffold Erection Course.
- As a Skills Assessment Centre by Institute of Technical Education (ITE) for General Fitting, Process Pipe Fitting and Rotating Equipment Fitting skills.
- As an Approved Training Organisation by SkillsFuture Singapore (SSG) for Apply Workplace Safety and Health in Process Plant, Supervise Workplace Safety and Health in Process Plant, Perform Work in Confined Space Operation, Supervise Work in Confined Space Operation, Basic Maintenance of Rotating Equipment and Perform Alignment of Rotating Equipment courses.









"A company is only as great as the people who embody the mission of the organisation. We believe in our people, respect them and empower them. Success is a team sport that requires dedication and passion. One can never achieve that without cultivating trust, mutual respect and empowerment."

Robert Dompeling
Group Chief Executive Officer

SUCCESSION PLANNING

Success planning is a critical human resource issue for us as we hire more and more young engineers and other talent. We have implemented a succession planning programme across the organisation to ensure a steady talent pipeline. The programme enables senior management executives to identify and mentor successors for the senior leadership roles and middle management positions.

OCCUPATIONAL HEALTH AND SAFETY

Workplace safety is a top priority for us. Our goal is to maintain a zero accident workplace. We are committed to providing a healthy, safe and secure workplace for all employees. We have implemented a HSSE management system that we apply into or site operations. We have also obtained the OHSAS 18001 certification that reflects our deep commitment to health and safety.

Our commitment to safety not only protects lives but also improves productivity and reduces operating costs. Our exceptional safety performance has won us several awards and recognitions over the years from the Workplace Safety and Health (WSH) Council, Singapore.

In 2018, the PEC Group won 11 workplace safety and health awards from the WSH Council. The awards included three WSH Performance Awards (Silver) for its successful development of effective safety and health management systems that meet or exceed the most exacting industry standards and obtained seven Safety and Health Award Recognition for Projects awards for its projects or worksites. A WSH Supervisor Award acknowledges the valuable contributions of supervisors in cultivating safe and healthy workplaces.

SAFETY TRAINING

As an EPC and project maintenance business, safety performance is crucial for us, our employees and customers. We provide ongoing training in a wide range of safety topics to our employees. In FY2018, we offered training on 210 workplace safety-related subjects. Our employees received an average of 25.1 hours of safety training during the year.

SAFETY PERFORMANCE

Our safety performance record for the past three years covering the male workforce is presented below.

Performance Indicator	FY2016	FY2017	FY2018
LTIR	0.04	0.09	**0.04**
Fatalities	0	0	**0**

Note:
Lost Time Incident Rate (LTIR) = (No of LTI x 200,000)/Total Exposure Manhour

Sustainability Report

PERFORMANCE MANAGEMENT

Our policy is to fairly assess the performance of our employees for rewards and personal development. All employees participate in an annual appraisal programme to review their performance. Managers and supervisors also engage in ongoing performance discussions with their team members to provide useful feedback and coaching.

EMPLOYEE WELFARE

We organise a range of healthcare, recreational and enrichment activities throughout the year to promote employee welfare. For example, we organised Health Talks on a variety of topics such as colorectal cancer, fatigue management, anger management, eye care, quit smoking, manual handling and musculoskeletal disorders and mental health. Other important healthcare initiatives included flu vaccination and annual health screening. Sports activities organised during the year included bowling tournament, paintball challenge, team building, rock climbing and kayaking.

EMPLOYEE ENGAGEMENT

We believe that employee satisfaction is key to improving performance and productivity and delivering world class service to our customers. We measure employee satisfaction through periodic engagement survey to seek feedback on a range of issues including the job itself, teamwork, welfare and work environment and leadership.

In the most recent survey concluded in 2017, the overall satisfaction score was 96%, higher than the past two consecutive surveys. A summary of results from the most recent three surveys is presented here:

Employee Satisfaction Survey			
Indicator	**2013**	**2014**	**2017**
Overall Score	**93.4%**	**94.6%**	**96.0%**
Job	93.3%	93.4%	96.0%
Teamwork	96.1%	97.3%	98.0%
Welfare and Work Environment	91.1%	93.2%	96.0%
Leadership	94.5%	95.6%	97.0%

HUMAN RIGHTS

We respect internationally recognised human rights principles that cover non-discrimination, forced labour, child labour and freedom of association. Our employment policies advocate merit-based hiring and advancement. Our policies prohibit discrimination in any form. We prohibit forced labour and child labour. We respect the right of our employees to join unions in accordance with local laws. Our employees in China and Vietnam are union members.

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

ENVIRONMENT

PEC is committed to environmental protection and conservation. We recognise that pollution prevention and resource conservation are key to a sustainable environment. Our decision-making process takes into account environmental considerations.

In line with our approach to continuous improvement in our environmental performance, we have obtained ISO 14001:2015 certification for our two sites in Singapore.

Environmental data presented in this report refers to our business operations in Singapore.

MANAGING ENVIRONMENTAL ISSUES

Our HSSE policy provides a practical framework for how we manage our environmental impact, risks and opportunities in our daily operations.

We are a services company with EPC activities and our direct impact on the environment is relatively lower. Use of energy, mainly electricity and fuel, is our single most material environmental impact. We also monitor and track water use and waste as part of our environmental management efforts. Our environmental performance data is presented at the end of this chapter.

ENERGY

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

Our approach is to minimise energy consumption where possible. We monitor and review our energy consumption on regular basis.

In FY2018, our absolute electricity consumption was 15.0% lower compared with the previous year. Diesel consumption was 29.0% less for the same period. The drop in energy use was due to lower work activity.

Our energy consumption for the past three years is presented in the charts in the next page.

ENERGY SAVING

Our Switch-off Practice for Electrical Energy Management initiative across all PEC sites has been saving energy since 2013 when the programme started. The measure includes turning off lights for an hour during lunch break.

We are also phasing out the conventional lighting with new energy saving LED lighting system in an ongoing manner.

WATER CONSERVATION

Our water use is limited to office buildings and dormitories. We have an ongoing awareness programme in our dormitories to conserve water. Regular maintenance of plumbing is carried out to prevent water leakage. Water saving fittings have been installed in toilets and washrooms to conserve water.

MANAGING WASTE

Our approach is to conserve natural resources by reducing waste generation and contamination of air, water and land. We dispose of waste in a safe and environmentally sound manner in accordance with local laws.

Our waste primarily includes office paper, newspaper, wood crates, wood pallets, carton boxes, plastic bottles, food waste, metal cans and metal scrap.

We have introduced a system to measure and record the waste generated in Singapore. In FY2018, our facilities in Singapore generated 258.8 tonnes of non-hazardous solid waste, against 49.2 tonnes in the prior year.

3R PROGRAMME

In 2017, we launched a Reduce, Reuse, Recycle (3R) programme aimed at improving resource-use efficiency and reducing wastage to cut down the waste disposal fee at our Benoi facility in Singapore. The initiative also helps to raise employees' environmental awareness.

Our 3R initiative targets to reduce waste, reuse materials and recycle whenever possible. More importantly, the programme will provide quantifiable data on the waste reduction, reuse and recycling for management's review.

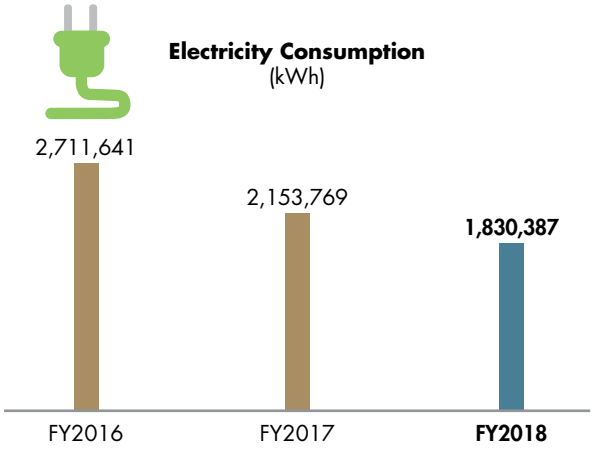
Our teams carried out a waste audit to identify waste that can be recycled. Recycling bins have since been placed in various areas. Emails alerts, posters, HSSE bulletins, HSSE meetings and display notices are used to improve employee awareness.

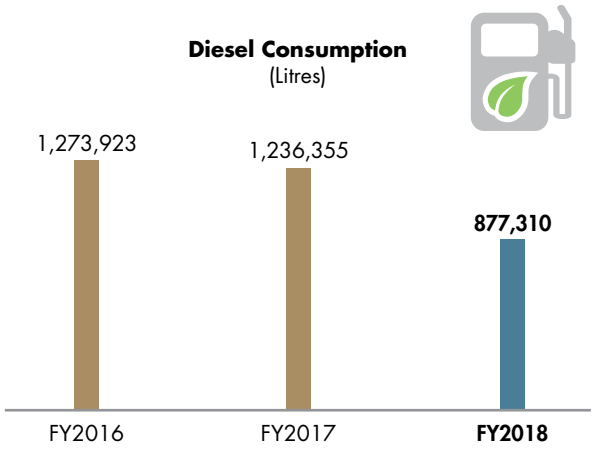
Sustainability Report

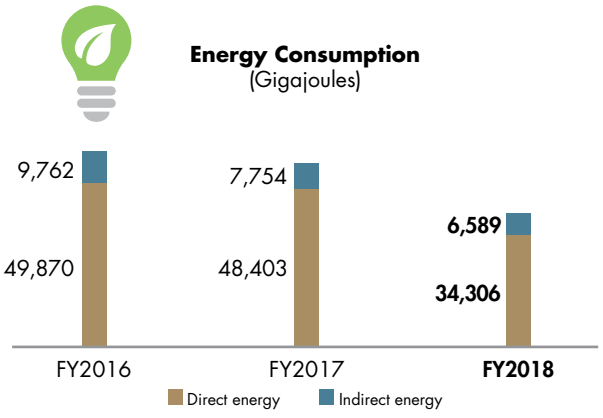
ENVIRONMENTAL COMPLIANCE

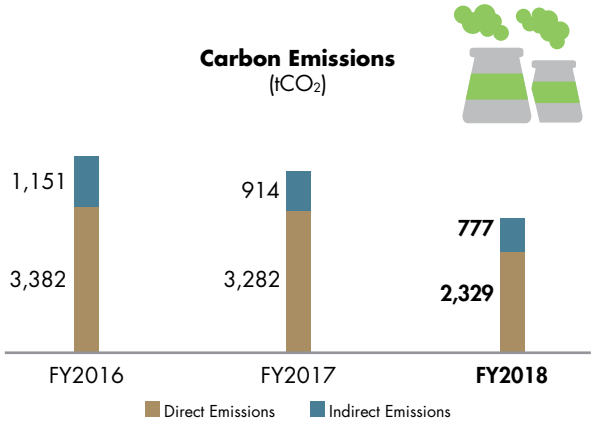
Our goal is to have zero violations of environmental regulations. Complying with all applicable laws, including the environmental rules, is an important area of attention for us. We are committed to regulatory compliance wherever we operate our business.

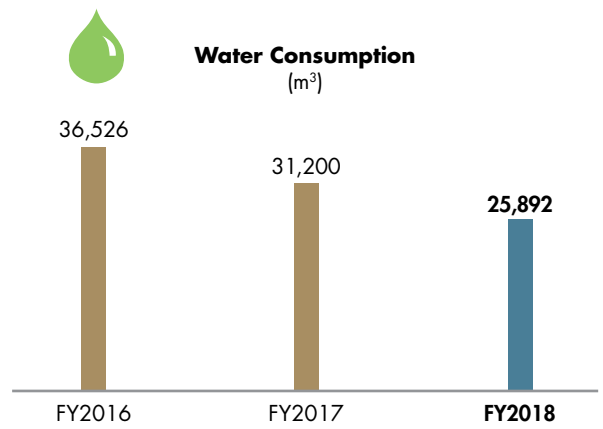
There were no significant breaches of environmental regulation in the reported period.

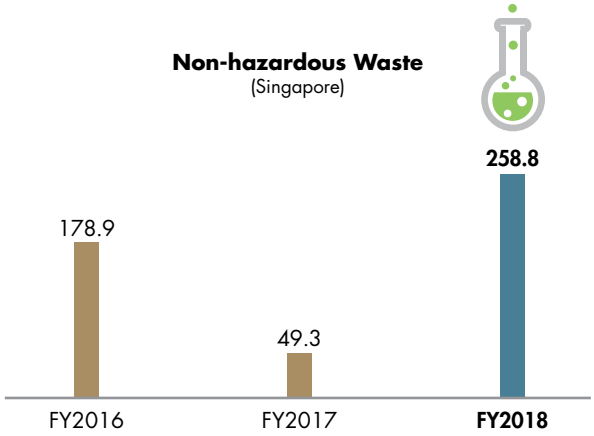












COMMUNITY

PEC is committed to good corporate citizenship and to supporting charity and community initiatives which are relevant to our business, employees, customers and stakeholders.

Our CSR Policy sets out a framework for investing in community programmes.

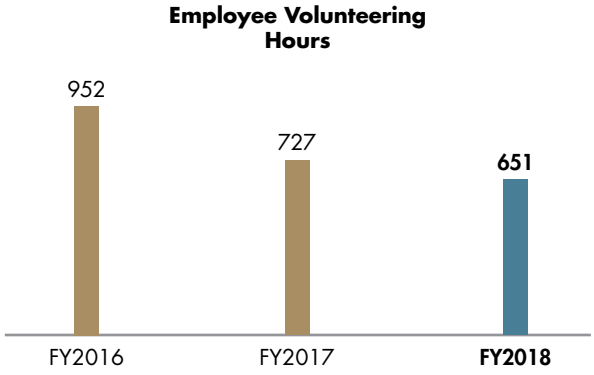
EMPLOYEE VOLUNTEERING

At PEC, we actively promote employee volunteering which allows us to engage with the local communities and build trust. Our volunteering initiatives also strengthen our engagement with the employees and drive overall employee satisfaction. Our employees regularly volunteer to support social and environmental causes throughout the year.

In FY2018, our employees contributed 651 hours on a range of activities. They have participated in the following programmes with the various beneficiaries:

FY2018

- Walk for Our Children, Singapore Children's Society (July 2017)
- Learning Journey to Bollywood Veggies Farm, RSVP Singapore (August 2017)
- Mangrove Clean-up, NParks (November 2017)
- CNY Goodie Bag Distribution, Compassion Fund (February 2018)
- Coastal Cleaning cum Cycling, NParks (March 2018)
- Home Visitation, Compassion Fund (April 2018)
- Learning Journey to Lee Kong Chian Natural History Museum, RSVP Singapore (April 2018)
- Canvas Art Jamming Workshop, Singapore Children's Society (June 2018)




Walk for Our Children


Coastal Cleaning cum Cycling


CNY Goodie Bag Distribution


Learning Journey to Lee Kong Chian Natural History Museum


Mangrove Clean-Up

Sustainability Report

ECONOMIC PERFORMANCE

We are committed to ensuring sustainable growth of PEC business by constantly focusing on consolidating the ongoing business, identifying new opportunities and managing risks. Good governance remains the cornerstone of our approach to doing business. While generating financial returns is crucial for our commercial success, we are also committed to creating value for all stakeholders including the customers, employees, partners and suppliers and the communities where we work and live.

A summary of our economic performance, extracted from the financial statement, is presented below. Please see the Financial Statement chapter of this report for detailed information about our financial performance.

Economic Performance Indicators (S$'M)	FY2016	FY2017	FY2018
Revenue	575.1	418.6	**335.9**
Profit after tax	22.3	13.9	**11.7**
Total expenses (including staff costs)	563.1	413.6	**326.8**
Staff costs / Employee benefits expenses	173.0	149.1	**139.2**
Net GST payables	2.2	3.6	**1.7**
Income tax expense	5.7	1.4	**2.6**
Retained earnings	163.4	170.0	**174.1**
Dividend (declared and paid)	2.5	7.6	**6.4**

INDIRECT ECONOMIC IMPACT

Our projects contribute to the economic well-being of the local communities through employment and supplier opportunities.

ANTI-CORRUPTION

PEC complies with all applicable anti-corruption laws and regulations including the applicable local anti-bribery laws of the countries in which we operate. Our Code of Business Ethics and Conduct prohibits offering or receiving bribe in any form for our employees. Our Whistle Blowing policy outlines procedures which enable employees to report any illegal or unethical behaviour.

There were no substantiated incidents of corruption in our organisation in the reported period.

SUPPLIERS

We actively engage with our key suppliers and partners who provide products and services for our operations and projects. We invite selected vendors to participate in our Company Alliance Partners & Preferred Suppliers Partnership Program to forge trusted partnerships and to enhance value for our customers.

We also conduct periodic audits of our suppliers to ensure they meet our expectations.

We purchase from local suppliers where possible and feasible. The proportion of sourcing from local vendors varies by project and the project location. In FY2018, we had 1409[1] approved vendors.

Notes:
(1) Approved vendors in Singapore and UAE only

GRI CONTENT INDEX

GRI Standard	Disclosure	Page Number(s)
GRI 101: Foundation 2016 (GRI 101 does not include any standards)		
General Disclosures		
GRI 102: General Disclosures 2016	**Organisational Profile**	
	102-1 Name of the organisation	Front Cover
	102-2 Activities, brands, products, and services	2
	102-3 Location of headquarters	Back Cover
	102-4 Location of operations	11, 15
	102-5 Ownership and legal form	66
	102-6 Markets served	2, 11
	102-7 Scale of the organisation	5
	102-8 Information on employees and other workers	20, 21
	102-9 Supply chain	28
	102-10 Significant changes to the organisation and its supply chain	None
	102-11 Precautionary Principle or approach	25
	102-12 External initiatives	15, 22, 23, 25
	102-13 Membership of associations	17
	Strategy	
	102-14 Statement from senior decision-maker	3, 6-7, 12-14
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	17, 28, 34-49
	Governance	
	102-18 Governance structure	34-49
	Stakeholder Engagement	
	102-40 List of stakeholder groups	16
	102-41 Collective bargaining agreements	24
	102-42 Identifying and selecting stakeholders	16
	102-43 Approach to stakeholder engagement	16
	102-44 Key topics and concerns raised	16
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	94-96
	102-46 Defining report content and topic Boundaries	18
	102-47 List of material topics	18
	102-48 Restatements of information	Not applicable as this is our first Sustainability Report
	102-49 Changes in reporting	Not applicable as this is our first Sustainability Report
	102-50 Reporting period	15

Sustainability Report

GRI Standard	Disclosure	Page Number(s)
	102-51 Date of most recent report	Not applicable as this is our first Sustainability Report
	102-52 Reporting cycle	15
	102-53 Contact point for questions regarding the report	15
	102-54 Claims of reporting in accordance with the GRI Standards	15
	102-55 GRI content index	29-32
	102-56 External assurance	15
Economic Performance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	28
	103-2 The management approach and its components	3, 6-7, 12-14, 28
	103-3 Evaluation of the management approach	6-7, 12-14, 28
GRI 201: Economic Performance	201-1 Direct economic value generated and distributed	28, 59
Anti-corruption		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	28
	103-2 The management approach and its components	28
	103-3 Evaluation of the management approach	28
GRI 205: Anti-corruption	205-2 Communication and training about anti-corruption policies and procedures	28
	205-3 Confirmed incidents of corruption and actions taken	28
Energy		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	18, 25
	103-2 The management approach and its components	25
	103-3 Evaluation of the management approach	25, 26
GRI 302: Energy	302-1 Energy consumption within the organisation	26
Water		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	25
	103-2 The management approach and its components	25
	103-3 Evaluation of the management approach	26
GRI 303: Water	303-1 Water withdrawal by source	26
Emissions		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	18
	103-2 The management approach and its components	18, 25
	103-3 Evaluation of the management approach	25, 26
GRI 305: Emissions	305-1 Direct (Scope 1) GHG emissions	26
	305-2 Energy indirect (Scope 2) GHG emissions	26

GRI Standard	Disclosure	Page Number(s)
Waste		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	25
	103-2 The management approach and its components	25
	103-3 Evaluation of the management approach	25, 26
GRI 306: Effluents and Waste	306-2 Waste by type and disposal method	25
Environmental Compliance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	26
	103-2 The management approach and its components	26
	103-3 Evaluation of the management approach	26
GRI 307: Environmental Compliance	307-1 Non-compliance with environmental laws and regulations.	26
Employment		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	20, 24
	103-2 The management approach and its components	20, 24
	103-3 Evaluation of the management approach	20, 24
GRI 401: Employment	401-1 New employee hires and employee turnover	20, 21
Occupational Health and Safety		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	23
	103-2 The management approach and its components	23
	103-3 Evaluation of the management approach	23
GRI 403: Occupational Health and Safety	403-1 Workers representation in formal joint management-worker health and safety committees	23
	403-2 Types of injury and rate of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities.	23
Training and Education		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	22, 23
	103-2 The management approach and its components	22, 23
	103-3 Evaluation of the management approach	22, 23
GRI 404: Training and Education	404-1 Average hours of training per year per employee	22, 23
	404-2 Programs for upgrading employee skills and transition assistance programs	22
	404-3 Percentage of employees receiving regular performance and career development reviews	24
Non-discrimination		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	24
	103-2 The management approach and its components	24
	103-3 Evaluation of the management approach	24
GRI 406: Non-discrimination	406-1 Incidents of discrimination and corrective actions taken	24

Sustainability Report

GRI Standard	Disclosure	Page Number(s)
Freedom of Association and Collective Bargaining		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	24
	103-2 The management approach and its components	24
	103-3 Evaluation of the management approach	24
GRI 407: Freedom of Association and Collective Bargaining	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	24
Child Labour		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	24
	103-2 The management approach and its components	24
	103-3 Evaluation of the management approach	24
GRI 408: Child Labour	408-1 Operations and suppliers at significant risk for incidents of child labour	24
Forced, or Compulsory Labour		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	24
	103-2 The management approach and its components	24
	103-3 Evaluation of the management approach	24
GRI 409: Forced or Compulsory Labour	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	24
Socio-economic Compliance		
GRI 103: Management Approach	103-1 Explanation of the material topic and its Boundary	24, 28
	103-2 The management approach and its components	24, 28
	103-3 Evaluation of the management approach	24, 28
GRI 419: Socio-economic Compliance	419-1 Non-compliance with laws and regulations in the social and economic area	24, 28



FINANCIAL CONTENTS

34 Corporate Governance Report

50 Directors' Statement

55 Independent Auditor's Report

59 Consolidated Statement of Comprehensive Income

60 Balance Sheets

62 Consolidated Statement of Changes In Equity

64 Consolidated Cash Flow Statement

66 Notes to the Financial Statements

131 Statistics of Shareholdings

133 Notice of Annual General Meeting

Proxy Form

Corporate Information

CORPORATE GOVERNANCE REPORT

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

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

This report sets out the Group's corporate governance practices that were in place throughout the financial year ended 30 June 2018 ("**FY2018**") with reference to the Code. Where there is any material deviation from any principles and guidelines of the Code, an explanation has been provided within this report.

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

(A) BOARD MATTERS

Board's Conduct of its Affairs

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The Board oversees the Group's sustainability reporting framework by monitoring the environment, social and governance issues that impact the Group's sustainability of its business. The Company's inaugural sustainability report for FY2018 can be found under pages 15 to 32 of the Annual Report.

Board Meetings and Meetings of Board Committees

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

The number of meetings held by the Board and Board Committees, and attendance thereat during FY2018 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
David Wong Cheong Fook	4	4	4	4	1	1	1	1
Tan Whei Mien, Joy[1]	4	4	4	4	1	1	1	1

(1) Ms Tan Whei Mien, Joy was appointed as an Independent Director at the Company's previous Annual General Meeting held on 27 October 2017.

Board approval

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

Training

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

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

CORPORATE GOVERNANCE REPORT

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

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

Board Composition and Guidance

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

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

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)
Tan Whei Mien, Joy	(Independent Director) (Appointed on 27 October 2017)
Wong Peng	(Non-Independent Director)

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

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

Independence of Directors

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Chairman and Chief Executive Officer

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Board Membership

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

The NC comprises entirely Non-Executive and Independent Directors:

Tan Whei Mien, Joy (Chairman) (Appointed on 27 October 2017)
Dr Foo Fatt Kah
David Wong Cheong Fook

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

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

For the year under review, the NC held 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.

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

Key information on the Directors is set out below:

Name of Directors	Position	Date of first appointment as a Director	Date of last re-appointment as a Director	Present directorships or chairmanships in other listed companies	Directorships or chairmanships held over the preceding three years in other listed companies	Other principal commitments	Due for re-appointment at the AGM
Edna Ko Poh Thim	Executive Chairman	8 February 1984	27 October 2016	None	None	None	Not Applicable.
Robert Dompeling	Group Chief Executive Officer	1 July 2007	13 November 2015	None	None	None	Retirement by rotation (Article 114)
Wong Peng	Non-Executive and Non-Independent Director	23 December 1988	27 October 2017	None	None	None	Not Applicable.
Dr Foo Fatt Kah	Lead Independent Director	25 June 2009	13 November 2015	• Anchor Resources Limited • Ayondo Ltd. • Variscan Mines Ltd (ASX-listed)	None	Managing Director, Luminor Capital Pte Ltd	Retirement by rotation (Article 114)
David Wong Cheong Fook	Independent Director	8 January 2014	27 October 2016	United Engineers Limited	None	Chairman, Republic Polytechnic	Not Applicable.
Tan Whei Mien, Joy	Independent Director	Appointed at AGM on 27 October 2017	Nil	None	None	• Partner, Wong Partnership LLP • Director, NTUC Income Co-operative Limited; • Director, Singapore Healthcare Services Pte Ltd	Not Applicable.

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

CORPORATE GOVERNANCE REPORT

Board Performance

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

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

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

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

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

Access to Information

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises entirely Non-Executive and Independent Directors:

Dr Foo Fatt Kah (Chairman)
David Wong Cheong Fook
Tan Whei Mien, Joy (Appointed on 27 October 2017)

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

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

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

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

The Company adopted an employee share plan known as "PEC Performance Share Plan" (the "**Plan**") on 25 October 2013 as a long term incentive plan for Executive Directors and employees of the Group whose services are vital to the Group's well-being and success. It is administered by a committee consisting of all the Board Members. As at to-date, awards in respect of up to 18,225,812 shares have been granted under the Plan. Details of the Plan are set out in the Directors' Statement on pages 50 to 54.

Disclosure on Remuneration

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

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

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

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

The Company has an employee share plan in place.

CORPORATE GOVERNANCE REPORT

A breakdown of the remuneration of the Directors and the top 5 key management personnel (who are not also Directors or the Group CEO) for FY2018 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	23	75	–	1	1	100
Robert Dompeling	23	75	–	1	1	100
Above S$250,000 to S$500,000						
Wong Peng[4]	9	76	11	1	3	100
Below S$250,000						
Dr Foo Fatt Kah	–	–	100	–	–	100
David Wong Cheong Fook	–	–	100	–	–	100
Tan Whei Mien, Joy[5]	–	–	100	–	–	100
Chia Kim Huat[6]	–	–	100	–	–	100

(1) These are under the service contracts. Under the service contracts, each of our Executive Directors is also entitled to a performance bonus (the "**Performance Bonus**") in respect of each financial year, which is calculated based on the consolidated profit before tax and extraordinary items ("**PBT**") (before deducting for such Performance Bonus).

(2) The Directors' fees are subject to the approval of the shareholders at the AGM.

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

(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.

(5) Ms Tan Whei Mien, Joy was appointed as an Independent Director at the Company's previous AGM held on 27 October 2017.

(6) Mr Chia Kim Huat retired as an Independent Director at the Company's previous AGM held on 27 October 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					
Yeo Ker Soon	55	45	–	–	100%
Tan Teck Seng	55	45	–	–	100%
Toh Boon Chuan	47	51	–	2	100%
Tan Meng Sai	50	50	–	–	100%
Below S$250,000					
Goh Eng Mui	74	23	–	3	100%

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

CORPORATE GOVERNANCE REPORT

The aggregate of total remuneration paid to or accrued to the top five key management personnel (who are not Directors or the Group CEO) was S$1,601,293 for FY2018.

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 FY2018.

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

(C) ACCOUNTABILITY AND AUDIT

Accountability

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

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

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

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

Risk Management and Internal Controls

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

(a) the financial records of the Group have been properly maintained and the financial statements for FY2018 give a true and fair view of the Group's operations and finances; and

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

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

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

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

Based on the reviews conducted by the Management and the internal auditor throughout the financial year, the statutory audit conducted by the external auditor, as well as the assurance from Executive Chairman and Director Finance, the Board with the concurrence of the ARMC, is of the opinion that the Group's internal controls, addressing financial, operational, compliance risks, as well as the Group's information technology controls and risk management systems were adequate as at 30 June 2018.

Financial risks relating to the Group are set out in Note 40 to the financial statements of this Annual Report on pages 120 to 125.

Audit and Risk Management Committee

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

The ARMC comprises entirely Non-Executive and Independent Directors:

David Wong Cheong Fook (Chairman)
Dr Foo Fatt Kah
Tan Whei Mien, Joy (Appointed on 27 October 2017)

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

In performing its functions, the ARMC:

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

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

CORPORATE GOVERNANCE REPORT

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

The ARMC has undertaken a review of all the non-audit services provided by the external auditors during the year under review and is satisfied that such services would not, in the ARMC's opinion, affect the independence of the external auditors. Details of the fees paid to the external auditors for FY2018 are disclosed under Note 7 on page 86 of the Annual Report. The ARMC has recommended to the Board the re-appointment of Ernst & Young LLP as the external auditors of the Company at the forthcoming AGM.

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

Internal Audit

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

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

(D) COMMUNICATION WITH SHAREHOLDERS

Shareholder Rights

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

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

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

The Company strongly encourages 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.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders

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

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

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

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

Conduct of Shareholder Meetings

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

The Company welcomes the views and/or comments of the shareholders on matters concerning the Company and encourages shareholders' participation 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.

CORPORATE GOVERNANCE REPORT

(E) DEALINGS IN SECURITIES

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

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

The Board confirms that for FY2018, the Company has complied with Rule 1207(19) of the Listing Manual.

(F) INTERESTED PERSON TRANSACTIONS

The aggregate value of the interested person transactions carried out during FY2018 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	275	–
Wong Peng	131	–

(G) MATERIAL CONTRACTS

Except as disclosed in Note 37 (Related Party Transactions) 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 2018.

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 2018 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date, and

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

DIRECTORS

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

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

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Edna Ko Poh Thim	35,012,338	35,059,091	85,750,000	85,750,000
Robert Dompeling	732,338	1,279,091	–	–
Wong Peng	5,032,662	4,575,909	–	–
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 2018.

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 date of appointment if later, or at the end of the financial year.

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

PEC PERFORMANCE SHARE PLAN (THE "PLAN")

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

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

Principal Terms of the Plan

Eligibility

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

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

(b) Executive Directors,

provided always that any of the aforesaid persons:

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

(ii) are not undischarged bankrupts.

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

DIRECTORS' STATEMENT

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

Principal Terms of the Plan (cont'd)

Awards

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

Grant of Awards

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

Vesting of Awards

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

Size of the Plan

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

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

Duration of the Plan

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

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

DIRECTORS' STATEMENT

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

Principal Terms of the Plan (cont'd)

As at 30 June 2018, the aggregate number of shares comprised in Awards granted pursuant to the Plan which have not been released amounted up to 15,636,673 (2017: 11,855,572) 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, and the second tranche of the Award, in respect of 46,753 Shares, have been released on 15 February 2017 and 14 February 2018 respectively.
Robert Dompeling	15 February 2016	Up to 282,812	The first tranche of the Award, in respect of 62,338 Shares, and the second tranche of the Award, in respect of 46,753 Shares, have been released on 15 February 2017 and 14 February 2018 respectively.
Wong Peng	15 February 2016	Up to 282,812	The first tranche of the Award, in respect of 57,662 Shares, and the second tranche of the Award, in respect of 43,247 Shares, have been released on 15 February 2017 and 14 February 2018 respectively.
For other employees of the Company	15 February 2016	Up to 6,943,772	The first tranche of the Award, in respect of 1,309,854 Shares, and the second tranche of the Award, in respect of 960,194 Shares, have been released on 15 February 2017 and 14 February 2018 respectively.
For directors of the Company:			
Edna Ko Poh Thim	1 December 2016	Up to 199,177	Forfeited
Robert Dompeling	1 December 2016	Up to 199,177	Forfeited
Wong Peng	1 December 2016	Up to 199,177	Forfeited
For other employees of the Company	1 December 2016	Up to 4,958,025	Forfeited

DIRECTORS' STATEMENT

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

Principal Terms of the Plan (cont'd)

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

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

AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

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

AUDITOR

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

On behalf of the board of directors,

Edna Ko Poh Thim
Director

Robert Dompeling
Director

Singapore
27 September 2018

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2018

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 2018, 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 2018 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 2018
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 $108,838,192 of revenue from its construction contracts based on the percentage of completion method and as at year end, the Group has $13,365,762 contracts-in-progress (net of progress billings) and $1,305,459 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 Note 2.14 and Note 16.

Impairment of trade receivables

The Group's trade receivables balance was significant to our audit as they represent 27% of the total assets and current trade receivables represent 37% of total current assets in the consolidated balance sheet. Total trade receivables and related allowance for impairment of trade receivables amounted to $96,159,097 and $1,782,426 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.

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 Note 40 to the consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2018

Independent auditor's report to the members of PEC Ltd.

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

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

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and 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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 June 2018
Independent auditor's report to the members of PEC Ltd.

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
27 September 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2018

	Note	2018 $	2017 $
Revenue	4	335,912,237	418,578,862
Cost of sales		(250,557,201)	(334,697,522)
Gross profit		85,355,036	83,881,340
Other operating income	5	4,928,838	9,671,655
Other items of expenses			
Administrative expenses		(28,124,040)	(27,852,395)
Other operating expenses		(47,728,290)	(50,380,856)
Finance expenses	6	(397,967)	(619,445)
Share of results of associate		311,189	587,186
Profit before tax	7	14,344,766	15,287,485
Income tax expense	8	(2,649,091)	(1,405,595)
Profit for the year		11,695,675	13,881,890
Profit for the year attributable to:			
Owners of the Company	35	10,427,738	15,695,832
Non-controlling interests		1,267,937	(1,813,942)
		11,695,675	13,881,890
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Net change in fair value reserve	15	456	(12,228)
Foreign currency translation		408,692	(1,671,115)
Other comprehensive income for the year, net of tax		409,148	(1,683,343)
Total comprehensive income for the year		12,104,823	12,198,547
Total comprehensive income for the year attributable to:			
Owners of the Company		10,848,619	14,111,359
Non-controlling interests		1,256,204	(1,912,812)
		12,104,823	12,198,547
Earnings per share (cents per share)			
Basic	35	4.1	6.2
Diluted	35	4.1	6.1

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

BALANCE SHEETS

As at 30 June 2018

	Note	Group		Company	
		2018	2017	2018	2017
		$	$	$	$
Non-current assets					
Property, plant and equipment	9	77,690,890	83,723,111	38,839,321	43,123,239
Investment properties	10	6,910,806	7,372,148	–	–
Intangible assets	11	1,657,247	1,791,497	38,279	58,500
Land use rights	12	645,481	661,313	–	–
Investment in subsidiaries	13	–	–	41,494,594	41,494,594
Investment in an associate	14	5,031,108	4,964,919	354,320	354,320
Investment securities	15	6,321	5,865	6,321	5,865
Trade receivables	19	1,651,520	1,465,137	–	–
Deferred tax assets	27	1,881,345	1,101,767	–	576,513
		95,474,718	101,085,757	80,732,835	85,613,031
Current assets					
Contracts-in-progress (net of progress billings)	16	13,365,762	6,167,381	9,007,342	4,652,333
Accrued income	17	46,761,831	38,949,478	37,319,695	31,858,907
Inventories	18	372,621	276,525	–	–
Prepayments		4,113,080	4,604,791	2,828,781	1,564,193
Trade receivables	19	92,725,151	112,386,069	43,768,852	51,251,090
Other receivables and deposits	20	6,626,053	5,457,937	7,230,579	7,324,822
Amounts/loans due from subsidiaries	21	–	–	10,531,714	6,966,123
Cash and short-term deposits	22	86,794,885	107,022,349	46,614,524	51,114,832
		250,759,383	274,864,530	157,301,487	154,732,300
Total assets		346,234,101	375,950,287	238,034,322	240,345,331

BALANCE SHEETS

As at 30 June 2018

	Note	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Current liabilities					
Progress billings in excess of costs	16	1,305,459	38,850,714	728,000	512,000
Provisions	23	6,028,953	2,654,311	1,760,486	1,835,130
Income tax payable		474,888	303,351	–	–
Loans and borrowings	24	766,304	787,908	28,254	55,839
Trade payables	25	17,667,634	27,010,570	18,771,517	20,547,424
Other payables and accruals	26	70,438,350	61,980,794	33,803,219	33,709,787
		96,681,588	131,587,648	55,091,476	56,660,180
Net current assets		154,077,795	143,276,882	102,210,011	98,072,120
Non-current liabilities					
Provisions	23	1,238,226	1,364,126	1,238,226	1,238,226
Deferred tax liabilities	27	520,932	426,938	38,809	–
Loans and borrowings	24	7,721,153	8,712,646	–	67,738
		9,480,311	10,503,710	1,277,035	1,305,964
Total liabilities		106,161,899	142,091,358	56,368,511	57,966,144
Net assets		240,072,202	233,858,929	181,665,811	182,379,187
Equity attributable to owners of the Company					
Share capital	28	58,835,589	58,481,409	58,835,589	58,481,409
Treasury shares	28	(119,840)	(213,902)	(119,840)	(213,902)
Statutory reserve	29	2,481,085	2,553,128	–	–
Retained earnings		174,076,646	170,020,660	122,839,602	123,702,910
Fair value reserve	30	(11,329)	(11,785)	(11,329)	(11,785)
Premium paid on acquisition of non-controlling interests	31	(2,188,914)	(2,188,914)	–	–
Foreign currency translation reserve	32	(2,036,746)	(2,457,171)	–	–
Share-based compensation reserve	33	121,790	420,555	121,789	420,555
		231,158,281	226,603,980	181,665,811	182,379,187
Non-controlling interests		8,913,921	7,254,949	–	–
Total equity		240,072,202	233,858,929	181,665,811	182,379,187
Total equity and liabilities		346,234,101	375,950,287	238,034,322	240,345,331

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 2018

		Attributable to owners of the Company										
	Note	Share capital	Treasury shares	Statutory reserve	Retained earnings	Fair value reserve	Share-based compensation reserve	Premium paid on acquisition of non-controlling interests	Foreign currency translation reserve	Equity attributable to owners of the Company, total	Non-controlling interests	Equity, total
		$	$	$	$	$	$	$	$	$	$	$
Group												
At 1 July 2017		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
Profit for the year		–	–	–	10,427,738	–	–	–	–	10,427,738	1,267,937	11,695,675
Other comprehensive income												
Net change in fair value reserve	15	–	–	–	–	456	–	–	–	456	–	456
Foreign currency translation		–	–	–	–	–	–	–	420,425	420,425	(11,733)	408,692
Other comprehensive income for the year, net of tax		–	–	–	–	456	–	–	420,425	420,881	(11,733)	409,148
Total comprehensive income for the year		–	–	–	10,427,738	456	–	–	420,425	10,848,619	1,256,204	12,104,823
Contributions by and distributions to owners												
Dividends on ordinary shares	34	–	–	–	(6,365,445)	–	–	–	–	(6,365,445)	–	(6,365,445)
Share issuance expense		–	213,892	–	(6,307)	–	(207,585)	–	–	–	–	–
Grant of performance shares to employees		–	–	–	–	–	263,000	–	–	263,000	–	263,000
Issue of new ordinary shares		354,180	–	–	–	–	(354,180)	–	–	–	–	–
Share buyback		–	(119,830)	–	–	–	–	–	–	(119,830)	–	(119,830)
Total transactions with owners in their capacity as owners		354,180	94,062	–	(6,371,752)	–	(298,765)	–	–	(6,222,275)	–	(6,222,275)
Changes in ownership interests in subsidiaries												
Liquidation of subsidiaries	13d	–	–	(72,043)	–	–	–	–	–	(72,043)	402,768	330,725
Total changes in ownership interests in subsidiaries		–	–	(72,043)	–	–	–	–	–	(72,043)	402,768	330,725
At 30 June 2018		58,835,589	(119,840)	2,481,085	174,076,646	(11,329)	121,790	(2,188,914)	(2,036,746)	231,158,281	8,913,921	240,072,202

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2018

		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 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	13d	–	–	–	–	–	–	–	–	–	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

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 2018

	Note	2018 $	2017 $
Operating activities:			
Profit before tax		14,344,766	15,287,485
Adjustments for:			
Interest income	5	(878,398)	(1,118,231)
Net loss on disposal of property, plant and equipment	7	66,118	4,964
Gain on disposal of investment property	5	(73,079)	–
Net gain on liquidation of subsidiaries	5	(2,208,702)	(360,436)
Net gain on disposal of intangible assets	5	–	(75,499)
Interest expense	6	231,212	367,235
Amortisation of land use rights	7	24,612	24,391
Amortisation of intangible assets	7	134,250	139,905
Depreciation of property, plant and equipment	7	12,612,177	14,779,434
Depreciation of investment properties	7	175,413	183,646
Impairment of trade and loan receivables		2,850,328	306,000
Provision, net		3,244,727	(108,371)
Share of results of associate		(311,189)	(587,186)
Share-based compensation expense	7	263,000	694,369
Unrealised exchange differences		(99,703)	(2,283,623)
Operating cash flows before changes in working capital		30,375,532	27,254,083
(Increase)/decrease in contracts-in-progress and progress billings		(44,397,653)	5,358,920
Increase in accrued income		(7,731,090)	(18,758,034)
(Increase)/decrease in inventories		(95,409)	26,660
Decrease/(increase) in trade receivables, other receivables and deposits, and prepayments		18,068,883	(27,713,205)
Decrease in trade payables, other payables and accruals		(774,879)	(8,047,810)
Cash flows used in operations		(4,554,616)	(21,879,386)
Interest paid		(231,212)	(367,235)
Interest received		878,398	1,118,231
Tax paid		(3,156,970)	(4,590,220)
Net cash flows used in operating activities		(7,064,400)	(25,718,610)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2018

	Note	2018 $	2017 $
Investing activities:			
Purchase of property, plant and equipment		(6,906,865)	(4,880,092)
Dividend income from an associate		245,000	427,770
Net cash outflow from liquidation of subsidiaries		(65,058)	(583,198)
Proceeds from disposal of property, plant and equipment		262,643	178,927
Proceeds from disposal of investment property		454,999	–
Proceeds from disposal of intangible assets		–	125,374
Net cash flows used in investing activities		(6,009,281)	(4,731,219)
Financing activities:			
Purchase of treasury shares	28	(119,830)	–
Dividends paid on ordinary shares	34	(6,365,445)	(7,593,768)
Dividends paid to non-controlling interests		–	(1,288,797)
Repayment of loans and borrowings		(1,364,387)	(6,148,701)
Proceeds from loans and borrowings		289,800	–
Changes in bank deposits pledged		–	50,525
Net cash flows used in financing activities		(7,559,862)	(14,980,741)
Net decrease in cash and cash equivalents		(20,633,543)	(45,430,570)
Effect of exchange rate changes on cash and cash equivalents		344,587	1,890,221
Cash and cash equivalents at 1 July		107,022,349	150,562,698
Cash and cash equivalents at 30 June	22	86,733,393	107,022,349

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 2018

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.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International) ("SFRS(I)"), a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 July 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to the new financial reporting framework, the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 July 2018, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 July 2018. The Group expects to reclassify an amount of $2,457,171 of foreign currency translation reserve to reduce the opening retained earnings as at 1 July 2017.

Other than the effects of the matter as described above and the adoption of the SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the Group expects that the adoption of the new financial reporting framework will have no material impact on the financial statements in the year of initial application.

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 2017, including the Amendments to FRS 7 *Disclosure Initiative*. 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 2018

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 102 *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Improvements to FRSs (December 2016)	
– Amendments to FRS 28 *Investments in Associates and Joint Ventures*	1 January 2018
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
Improvements to FRSs (March 2018)	
– Amendments to FRS 103 *Business Combinations*	1 January 2019
– Amendments to FRS 111 *Joint Arrangements*	1 January 2019
– Amendments to FRS 12 *Income Taxes*	1 January 2019
– Amendments to FRS 23 *Borrowing Costs*	1 January 2019

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 July 2018. Upon adoption of SFRS(I) on 1 July 2018, the SFRS(I) equivalent of the above standards that are effective on 1 July 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 introduces new requirements for impairment of financial assets. The impairment requirements in SFRS(I) 9 are based on an expected credit loss model and replace the FRS 39 incurred loss model. 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.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 9 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts SFRS(I) 9 in the financial period beginning 1 July 2018.

SFRS(I) 9 requires the Group and Company to record expected credit losses on all its loans, trade receivables, and financial guarantees, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. The Group does not expect the increase in impairment loss allowance, due to the unsecured nature of its loans and receivables, to be significant upon the application of the expected credit loss model. The Group expect an increase in the impairment loss allowance by recognised for the financial year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

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

SFRS(I) 15 establishes a five-step model that will apply to revenue arising from contracts with customers. Under SFRS(I) 15, 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 new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting SFRS(I) 15 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 15 in the financial year beginning on 1 July 2018.

The Group plans to apply the changes in accounting policies retrospectively to each reporting year presented, using the full retrospective approach. The Group also plans to apply the following practical expedients:

– For completed projects, the Group plans not to restate completed contracts that begin and end within the same year or are completed contracts at 1 July 2017, and
– For completed contracts that have variable consideration, the Group plans to use the transaction price at the date the contract was completed instead of estimating the variable consideration amounts in the comparative year.

The Group is in a business of provision of mechanical engineering services and construction, and expects the following impact upon adoption of SFRS(I) 15:

a) Construction contracts

The Group currently recognises construction contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably. In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date to the estimated total budgeted costs.

Upon adoption of SFRS(I) 15, the Group will continue to recognise construction contract revenue over time by measuring the progress towards complete satisfaction of performance obligations. Under the new standard, the methods of measuring progress include output methods or input methods. The Group has determined that the cost-based input method reflects the over-time transfer of control to customers.

b) Contract costs

On adoption of SFRS (I) 15, incremental costs of obtaining a contract with a customer will be recognised as an asset if the Group expects to recover these costs. These costs are amortised on a systematic basis that is consistent with the transfer of the goods or services to which the asset relate. Such costs are currently recognised as expense when incurred.

On adoption of SFRS (I) 15, the Group expects a decrease in both revenue and expenses, with a net impact of decrease in profit for the financial year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets 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 has performed a preliminary impact assessment of the adoption of SFRS(I) 16 and expects that the adoption of SFRS(I) 16 will result in increase in total assets and total liabilities, earnings before interest, tax, depreciation and amortisation ("EBITDA") and gearing ratio.

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

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on the transition to SFRS(I) 16 and assessing the possible impact of adoption.

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 2018

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

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

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method.

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

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

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

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

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

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

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

2.5 *Transactions with non-controlling interests*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.7 Property, plant and equipment

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

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

Depreciation is computed on a straight-line basis over the shorter of its estimated useful life or remaining lease term of 38 to 82 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.9 *Intangible assets (cont'd)*

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.12 Associate (cont'd)

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.14 Construction contracts (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.16 Financial instruments (cont'd)

(a) Financial assets (cont'd)

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.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.16 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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

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

2.19 *Provisions*

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

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

Warranty provisions

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.22 Leases

(a) As lessee

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

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

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

(b) As lessor

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.23 *Revenue (cont'd)*

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.25 Taxes (cont'd)

(b) Deferred tax

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

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

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

2.25 *Taxes (cont'd)*

(c) Sales tax

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

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

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

2.26 Share capital and share issuance expenses

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

2.27 Treasury shares

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

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

3. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has not made any significant judgments, which have a significant effect on the carrying amounts of assets and liabilities recognised in the financial statements within the next financial period.

3.2 *Key sources of estimation uncertainty*

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

Recognition of 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 judgments, 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 $2,700,000 (2017: $20,400,000) lower and $1,800,000 (2017: $21,200,000) higher respectively.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

4. REVENUE

	Group	
	2018	2017
	$	$
Project revenue	108,838,192	234,758,249
Revenue from maintenance services	226,552,263	183,137,904
Rendering of services	154,617	355,853
Sale of goods	139,433	80,700
Rental of equipment	810	8,049
Rental income from investment property (residential)	226,922	238,107
	335,912,237	418,578,862

5. OTHER OPERATING INCOME

	Group	
	2018	2017
	$	$
Gain on disposal of investment property	73,079	–
Net gain on disposal of intangible assets	–	75,499
Net gain on liquidation of subsidiaries	2,208,702	360,436
Insurance claims	180,846	207,184
Interest income from loans and receivables	878,398	1,118,231
Rental income from investment property (commercial)	275,289	298,939
Write-back of allowance for impairment of trade receivables	–	400,000
Training income	120,300	154,546
Income from sale of scrap material	197,258	446,227
Sundry income	994,966	3,263,275
Exchange gain, net	–	3,347,318
	4,928,838	9,671,655

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

6. FINANCE EXPENSES

	Group	
	2018	2017
	$	$
Bank charges	166,755	252,210
Interest expense on finance leases	8,586	13,815
Interest expense on loans	222,626	353,420
	397,967	619,445

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

7. PROFIT BEFORE TAX

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

	Note	Group 2018 $	2017 $
Audit fees:			
– Auditors of the Company		326,636	339,141
– Other auditors		118,810	70,903
Non-audit fees:			
– Auditors of the Company		51,301	61,000
Employee benefits expenses (including directors' remuneration):			
– Wages, salaries and bonuses		123,331,006	134,636,097
– Defined contribution expense		4,367,098	4,253,657
– Share-based compensation expense		263,000	694,369
– Other short-term employee benefits		11,266,098	9,520,921
Other operating expenses:			
– Net loss on disposal of property, plant and equipment		66,118	4,964
– Depreciation of property, plant and equipment	9	12,612,177	14,779,434
– Depreciation of investment properties	10	175,413	183,646
– Amortisation of intangible assets	11	134,250	139,905
– Amortisation of land use rights	12	24,612	24,391
– Impairment of trade receivables		398,232	–
– Impairment of loan receivables pertaining to a subsidiary under creditor liquidation		2,452,096	706,000
– Operating lease expense on leasehold land and properties	38(a)	2,794,488	2,566,587
– Operating lease expense on office equipment	38(a)	230,137	73,182
– Accommodation expenses		9,500,926	10,362,171
– Exchange loss, net		144,495	–
– Insurance		2,342,291	1,932,105
– Maintenance, upkeep and repair of plant and equipment		3,918,887	3,453,444
– Transport expenses		2,010,197	2,584,908
– Personal protective equipment		1,939,037	2,101,737

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

8. INCOME TAX EXPENSE

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

	Note	Group 2018 $	2017 $
Consolidated statement of comprehensive income:			
Current income tax:			
– Current income tax		1,196,692	685,670
– Over provision in respect of prior years		(25,377)	(97,828)
		1,171,315	587,842
Deferred income tax:			
– Origination and reversal of temporary differences		2,038,797	793,855
– Benefits from previously unrecognised tax benefits		(2,085,725)	–
– Over provision in respect of prior years	27	(632,027)	(909,369)
		(678,955)	(115,514)
Withholding tax expense		2,156,731	933,267
Income tax expense recognised in profit or loss		2,649,091	1,405,595

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	14,344,766	15,287,485
Tax at statutory tax rate of 17% (2017: 17%)	2,438,610	2,598,872
Adjustments:		
Non-deductible expenses	991,743	2,638,435
Income not subject to taxation	(1,456,455)	(289,058)
Effect of differences in statutory tax rates	1,029,839	(2,110,685)
Benefits from previously unrecognised deferred tax assets	(2,085,725)	(1,586,641)
Over provision in respect of prior years	(657,404)	(1,007,197)
Effect of partial tax exemption and tax relief	(415,211)	(710,329)
Withholding tax on foreign sourced income	2,156,731	933,267
Undistributed earnings/(reversal of undistributed earnings) of a subsidiary	45,837	(309,032)
Deferred tax assets not recognised	674,969	1,351,872
Share of results of associate	(52,902)	(99,822)
Others	(20,941)	(4,087)
Income tax expense recognised in profit or loss	2,649,091	1,405,595

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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 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 and 1 July 2017		69,558,786	89,943,999	19,062,613	19,402,492	321,043	198,288,933
Additions		116,089	2,138,509	1,430,298	1,140,127	2,081,842	6,906,865
Disposals		–	(674,530)	(275,895)	(526,218)	–	(1,476,643)
Currency realignment		(68,024)	245,289	46,036	28,412	17,843	269,556
At 30 June 2018		69,606,851	91,653,267	20,263,052	20,044,813	2,420,728	203,988,711
Accumulated depreciation and impairment loss:							
At 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 and 1 July 2017		21,936,205	61,429,574	14,196,419	17,003,624	–	114,565,822
Charge for the year	*7*	3,817,034	6,031,550	1,208,540	1,555,053	–	12,612,177
Disposals		–	(525,085)	(99,727)	(523,070)	–	(1,147,882)
Currency realignment		22,843	167,284	41,451	36,126	–	267,704
At 30 June 2018		25,776,082	67,103,323	15,346,683	18,071,733	–	126,297,821
Net carrying amount:							
As at 30 June 2017		47,622,581	28,514,425	4,866,194	2,398,868	321,043	83,723,111
As at 30 June 2018		43,830,769	24,549,944	4,916,369	1,973,080	2,420,728	77,690,890

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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 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 and 1 July 2017	45,651,171	46,978,857	13,972,719	12,174,568	118,777,315
Additions	–	432,395	1,025,364	702,380	2,160,139
Disposals	–	(87,855)	(257,988)	(450,236)	(796,079)
At 30 June 2018	45,651,171	47,323,397	14,740,095	12,426,712	120,141,375
Accumulated depreciation:					
At 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 and 1 July 2017	17,135,948	36,125,871	10,789,785	11,602,472	75,654,076
Charge for the year	2,713,155	2,260,784	842,558	454,874	6,271,371
Disposals	–	(87,374)	(85,996)	(450,023)	(623,393)
At 30 June 2018	19,849,103	38,299,281	11,546,347	11,607,323	81,302,054
Net carrying amount:					
As at 30 June 2017	28,515,223	10,852,986	3,182,934	572,096	43,123,239
As at 30 June 2018	25,802,068	9,024,116	3,193,748	819,389	38,839,321

Assets held under finance leases

In the previous financial year, the Group acquired motor vehicles with cost of $60,000 by means of a finance lease. There is no acquisition of property, plant and equipment by means of finance leases in the current financial year. The net cash outflow on acquisition of property, plant and equipment amounted to $6,906,865 (2017: $4,880,092).

As at 30 June 2018, carrying amount of motor vehicles and office equipment held under finance leases were $313,114 (2017: $573,015) and $Nil (2017: $932) 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 $7,473,048 (2017: $7,812,732) are mortgaged to secure one of the Group's bank loans disclosed in Note 24.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. INVESTMENT PROPERTIES

	Note	Group 2018 $	2017 $
Balance sheet			
Cost:			
At 1 July		8,123,642	8,215,945
Currency realignment		108,598	(92,303)
Disposal		(419,710)	–
At 30 June		7,812,530	8,123,642
Accumulated depreciation:			
At 1 July		751,494	576,233
Charge for the year	7	175,413	183,646
Currency realignment		12,607	(8,385)
Disposal		(37,790)	–
At 30 June		901,724	751,494
Net carrying amount:			
As at 30 June		6,910,806	7,372,148
Income statement			
Rental income from investment properties:			
– Minimum lease payments		502,211	537,046
Direct operating expenses (including repairs and maintenance) arising from:			
– Rental generating property		465,175	491,617

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 $8,100,000 (2017: $8,290,000) by reference to comparable market transactions that consider recent sale of similar properties that have been transacted in the open market.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

10. INVESTMENT PROPERTIES (CONT'D)

Assets pledged as security

The Group's investment property with a carrying amount of $5,058,452 (2017: $5,571,999) is mortgaged to secure one of the Group's bank loans disclosed in Note 24.

The investment properties held by the Group as at 30 June 2018 are as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
13 strata-titled factory units of a light industrial development known as The Elitist, Singapore	Offices	Leasehold	38 years
64 units of residential apartment at block C3 Seri Mengkuang, Malaysia	Residential	Leasehold	82 years

11. INTANGIBLE ASSETS

	Note	Goodwill	Other intangible assets		Total
			Club membership	Licence	
		$	$	$	$
Group					
Cost:					
At 1 July 2016		1,561,952	527,140	570,150	2,659,242
Disposals		–	(252,500)	–	(252,500)
At 30 June 2017, 1 July 2017 and 30 June 2018		1,561,952	274,640	570,150	2,406,742
Accumulated amortisation:					
At 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 and 1 July 2017		–	216,140	399,105	615,245
Amortisation for the year	7	–	20,221	114,029	134,250
At 30 June 2018		–	236,361	513,134	749,495
Net carrying amount:					
As at 30 June 2017		1,561,952	58,500	171,045	1,791,497
As at 30 June 2018		1,561,952	38,279	57,016	1,657,247

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

11. INTANGIBLE ASSETS (CONT'D)

	Club membership $
Company	
Cost:	
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	274,640
Accumulated amortisation:	
At 1 July 2016	392,890
Amortisation for the year	25,875
Disposal	(202,625)
At 30 June 2017 and 1 July 2017	216,140
Amortisation for the year	20,221
At 30 June 2018	236,361
Net carrying amount:	
As at 30 June 2017	58,500
As at 30 June 2018	38,279

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% (2017: 5.2%) and 1.0% (2017: 1.0%) respectively.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

11. INTANGIBLE ASSETS (CONT'D)

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 1 to 3 years (2017: 2 to 4 years).

12. LAND USE RIGHTS

		Group	
	Note	2018	2017
		$	$
Cost:			
At 1 July		930,178	927,894
Currency realignment		12,333	2,284
At 30 June		942,511	930,178
Accumulated amortisation:			
At 1 July		268,865	243,987
Charge for the year	7	24,612	24,391
Currency realignment		3,553	487
At 30 June		297,030	268,865
Net carrying amount:			
At 30 June		645,481	661,313
Amount to be amortised:			
– Not later than one year		22,902	22,667
– Later than one year but not later than five years		91,610	90,669
– Later than five years		530,969	547,977
At 30 June		645,481	661,313

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 35 to 64 years (2017: 36 to 65 years).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2018	**2017**
	$	$
Unquoted shares, at cost	45,758,533	46,158,533
Impairment losses	(4,263,939)	(4,663,939)
At 30 June	41,494,594	41,494,594

(a) Composition of the Group

	Name of subsidiaries	**Country of incorporation**	**Principal activities**	**Proportion (%) of ownership interest**	
				2018	**2017**
				%	%
	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
(1)	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
(1)	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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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 2018 %	2017 %
(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	–	–
(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	–	–
@	Enerz Engineering Pte. Ltd.	Singapore	Engineering, procurement, construction and commissioning of energy power, utility and infrastructure related facilities and services	–	84
(4), (7)	Majujaya Wira Sdn Bhd	Malaysia	Dormitory services	49	49
(2)	PEC (Myanmar) Ltd	Myanmar	Engineering, procurement, construction and management services	99	99
(2)	PECI (Myanmar) Ltd	Myanmar	Engineering, procurement, construction and management services	80	80
(8)	PECI Vietnam Ltd	Vietnam	Engineering, procurement, construction and management services	100	100
(6)	Plant Engtech Private Limited	India	Consultancy and design services	90	90

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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 2018 %	2017 %
	Held through a subsidiary:				
@	Audex (Shanghai) Co., Ltd	People's Republic of China	Project management	–	100
(2)	Audex Fujairah LL FZE.	United Arab Emirates	Engineering, procurement, construction and project management services	100	100
(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 KMF Auditing Company Limited
@ Wound up in the current financial year.
^ Wound up in the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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")**
	$	$
2018		
Proportion of ownership interest held by NCI	45%	40%
Accumulated NCI at the end of the financial year	3,657,164	4,326,041
(Loss)/profit after tax allocated to NCI during the financial year	(25,791)	611,181
2017		
Proportion of ownership interest held by NCI	45%	40%
Accumulated NCI at the end of the financial year	3,682,955	3,666,550
(Loss)/profit after tax allocated to NCI during the financial year	(1,113,640)	699,450

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Summarised balance sheets				
Non-current assets	9,357,077	10,134,120	9,004,930	9,145,611
Current assets	5,673,917	5,535,312	15,403,982	14,294,510
Non-current liabilities	(5,218,956)	(5,496,469)	–	–
Current liabilities	(1,685,006)	(1,988,618)	(13,593,809)	(14,273,747)
Net assets	8,127,032	8,184,345	10,815,103	9,166,374
Summarised statement of comprehensive income				
Revenue	9,278,000	8,972,967	26,289,901	18,152,311
(Loss)/profit for the year	(57,313)	(2,474,756)	1,527,952	1,748,625
Other comprehensive income	–	–	120,777	36,155
Total comprehensive income	(57,313)	(2,474,756)	1,648,729	1,784,780
Other summarised information				
Dividends paid to NCI	–	–	–	(4,232,804)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Liquidation of subsidiaries

Enerz Engineering Pte. Ltd.

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

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

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

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

Audex (Shanghai) Co., Ltd

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

13. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Liquidation of subsidiaries (cont'd)

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 previous 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.

PEC Hong Kong Pte. Ltd.

During the previous 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.

(e) Capitalisation of non-current loan from a subsidiary

During the previous 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).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

14. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Unquoted shares, at cost	354,320	354,320	354,320	354,320
Share of post acquisition reserves	4,676,788	4,610,599	–	–
Carrying amount of investment in associate	5,031,108	4,964,919	354,320	354,320

	Name of associate	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2018	2017
				%	%
	Held by the Company				
[1]	Plant Electrical Instrumentation Pte. Ltd. ("PEI")	Singapore	Engineering services and installation of electrical and scientific instruments	49	49

[1] Audited by Deloitte & Touche, Singapore

Dividends of $245,000 (2017: $427,770) were declared by Plant Electrical Instrumentation Pte. Ltd. ("PEI") to the Company in the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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	
	2018	**2017**
	$	$
Summarised balance sheet		
Current assets	15,196,551	14,602,629
Non-current assets	783,343	747,735
Total assets	15,979,894	15,350,364
Current liabilities	5,527,168	5,046,194
Non-current liabilities	41,244	27,768
Total liabilities	5,568,412	5,073,962
Net assets	10,411,482	10,276,402
Proportion of the Group's ownership	49%	49%
Group's share of net assets	5,101,626	5,035,437
Bargain purchase on acquisition	(70,518)	(70,518)
Carrying amount of the investment	5,031,108	4,964,919
Summarised statement of comprehensive income		
Revenue	28,535,989	27,646,785
Profit after tax	635,080	1,198,338

15. INVESTMENT SECURITIES

	Group and Company	
	2018	**2017**
	$	$
Available-for-sale financial assets		
– Quoted equity instruments at fair value	6,321	5,685
At 1 July, at fair value	5,865	18,093
Fair value changes included in fair value reserve	456	(12,228)
At 30 June, at fair value	6,321	5,865

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Aggregate amount of contract costs incurred and recognised profits (less recognised losses) to date	374,105,708	230,624,275	41,568,688	57,322,190
Less: Progress billings and advances	(362,045,405)	(263,307,608)	(33,289,346)	(53,181,857)
	12,060,303	(32,683,333)	8,279,342	4,140,333
Presented as:				
Contracts-in-progress (net of progress billings)	13,365,762	6,167,381	9,007,342	4,652,333
Progress billings in excess of costs	(1,305,459)	(38,850,714)	(728,000)	(512,000)
	12,060,303	(32,683,333)	8,279,342	4,140,333
Retention sums included in trade receivables	1,792,543	1,744,290	–	100,484
Advances received included in progress billings in excess of costs	1,238,966	8,135,943	820,385	–

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.

18. INVENTORIES

	Group	
	2018	2017
	$	$
Balance sheet:		
Finished goods, at lower of cost and net realisable value	372,621	276,525
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	3,516,362	2,794,000

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

19. TRADE RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Trade receivables:				
– external parties	96,097,267	136,108,899	31,291,020	56,909,005
– associate	53,088	4,659	235	658
– related parties	8,742	10,368	1,926	5,500
– subsidiaries	–	–	12,481,021	14,453,997
	96,159,097	136,123,926	43,774,202	71,369,160
Allowance for impairment:				
– external parties	(1,782,426)	(22,272,720)	(5,350)	(20,118,070)
	94,376,671	113,851,206	43,768,852	51,251,090
Non-current	1,651,520	1,465,137	–	–
Current	92,725,151	112,386,069	43,768,852	51,251,090
	94,376,671	113,851,206	43,768,852	51,251,090

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

Included in trade receivables are retention receivables amounting to $3,097,008 (2017: $9,368,445) and of which $1,651,520 (2017: $1,465,137) are non-current. $1,792,543 (2017: $1,744,290) relates to retention receivables for construction contracts as disclosed in Note 16.

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	
	2018	2017	2018	2017
	$	$	$	$
Arab Emirates Dirham	49,446,914	56,777,631	–	–
United States Dollar	6,244,262	7,962,144	3,622,304	5,626,725

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

19. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $64,096,014 (2017: $70,057,798) 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	
	2018	**2017**
	$	$
Trade receivables past due but not impaired:		
Less than 30 days	6,556,658	18,101,045
31 – 60 days	2,794,224	3,478,439
61 – 90 days	288,149	19,145,540
More than 90 days	54,456,983	29,332,774
	64,096,014	70,057,798

Receivables that are impaired

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

Individually impaired

	Group	
	2018	**2017**
	$	$
Trade receivables – nominal amounts	1,782,426	22,866,510
Less: Allowance for impairment	(1,782,426)	(22,272,720)
	–	593,790
Movement in allowance accounts:		
At 1 July	22,272,720	22,672,240
Charge for the year	428,232	–
Written off	(20,890,804)	–
Written back	(30,000)	(400,000)
Currency realignment	2,278	480
At 30 June	1,782,426	22,272,720

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 2018

20. OTHER RECEIVABLES AND DEPOSITS

	Note	Group 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Other receivables		3,574,502	2,261,883	5,478,137	5,410,849
Refundable deposits		3,051,551	3,196,054	1,752,442	1,913,973
		6,626,053	5,457,937	7,230,579	7,324,822
Other receivables and deposits		6,626,053	5,457,937	7,230,579	7,324,822
Accrued income	17	46,761,831	38,949,478	37,319,695	31,858,907
Trade receivables	19	94,376,671	113,851,206	43,768,852	51,251,090
Amounts due from subsidiaries	21	–	–	–	229,973
Loans due from subsidiaries	21	–	–	10,531,714	6,736,150
Cash and short-term deposits	22	86,794,885	107,022,349	46,614,524	51,114,832
Total loans and receivables		234,559,440	265,280,970	145,465,364	148,515,774

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 2018 $	Group 2017 $	Company 2018 $	Company 2017 $
Euro	97,139	192,676	97,139	192,676
Malaysian Ringgit	42,618	85,214	42,618	85,214
United States Dollar	176,012	300,462	174,937	300,462

21. AMOUNTS/LOANS DUE FROM SUBSIDIARIES

	Note	Company 2018 $	Company 2017 $
Amounts due from subsidiaries	20	–	229,973
Loans due from subsidiaries	20	10,531,714	6,736,150
		10,531,714	6,966,123

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

The loans due from a subsidiary are current, unsecured, bear interest from 3.0% to 4.5% (2017: 2.0% to 4.5%) per annum and are to be settled in cash. During the previous financial year, the Company has capitalised $11,000,000 of loan due from a subsidiary (non-current) as investment in subsidiary (Note 13).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

22. CASH AND SHORT-TERM DEPOSITS

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

	Note	Group		Company	
		2018	2017	2018	2017
		$	$	$	$
Cash at banks and on hand		73,422,247	82,751,905	42,639,466	43,693,244
Fixed deposits		13,372,638	24,270,444	3,975,058	7,421,588
Cash and short-term deposits		86,794,885	107,022,349	46,614,524	51,114,832
Less: Bank overdrafts	24	(61,492)	–	–	–
Cash and cash equivalents		86,733,393	107,022,349	46,614,524	51,114,832

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

The interest rate of fixed deposits ranges from approximately 0.20% to 3.55% (2017: 0.16% to 3.70%) per annum.

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

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Arab Emirates Dirham	138,296	86,126	3	3
Euro	22,817	25,230	8,604	8,535
Malaysian Ringgit	1,045,324	4,636,591	1,045,324	4,636,591
Renminbi	4,085,156	3,870,768	4,085,156	3,870,768
United States Dollar	15,078,970	12,824,635	2,113,982	850,330

23. PROVISIONS

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Current:				
Provision for unutilised leave	2,364,187	2,654,311	1,760,486	1,835,130
Provision for warranty	3,538,866	–	–	–
Provision for reinstatement cost	125,900	–	–	–
	6,028,953	2,654,311	1,760,486	1,835,130
Non-current:				
Provision for reinstatement cost	1,238,226	1,364,126	1,238,226	1,238,226
	7,267,179	4,018,437	2,998,712	3,073,356

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

23. PROVISIONS (CONT'D)

	Group			
	Provision for warranty	**Provision for unutilised leave**	**Provision for reinstatement cost**	**Total**
	$	$	$	$
At 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 and 1 July 2017	–	2,654,311	1,364,126	4,018,437
Arose during the financial year	3,520,329	294,803	–	3,815,132
Unused amounts reversed	–	(568,569)	–	(568,569)
Currency realignment	18,537	(14,522)	–	4,015
Disposal of a subsidiary	–	(1,836)	–	(1,836)
At 30 June 2018	3,538,866	2,364,187	1,364,126	7,267,179

24. LOANS AND BORROWINGS

			Group		Company	
	Maturity	**Note**	**2018**	**2017**	**2018**	**2017**
			$	$	$	$
Current:						
Bank loan 1	2017-2018		399,045	399,045	–	–
Bank loan 2	2017-2018		252,895	265,863	–	–
Bank overdrafts	On demand	22	61,492	–	–	–
Obligations under finance leases	2017-2018		52,872	123,000	28,254	55,839
			766,304	787,908	28,254	55,839
Non-current:						
Bank loan 1	2018-2029		2,502,197	3,144,730	–	–
Bank loan 2	2018-2035		5,186,237	5,439,133	–	–
Obligations under finance leases	2018-2020		32,719	128,783	–	67,738
			7,721,153	8,712,646	–	67,738
Total loans and borrowings		26	8,487,457	9,500,554	28,254	123,577

Bank Loan 1

This loan is denominated in SGD, bears interest of 1.10% to 1.25% + cost of funds (2017: 1.10% to 1.25% + cost of funds) per annum and is secured by a legal mortgage of an investment property (Note 10) and its rental proceeds.

Bank Loan 2

This loan is denominated in SGD, bears fixed interest of 2.70% (2017: 2.70%) per annum and is secured by a legal mortgage over a factory building, a personal guarantee, and a corporate guarantee (Note 9).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

24. LOANS AND BORROWINGS (CONT'D)

Obligations under finance leases

Finance leases bear interest of 5.06% to 5.44% (2017: 1.79% to 5.44%) per annum and are secured by rights to the leased assets (Note 9). Future minimum lease payments under the finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments 2018 $	Present value of minimum lease payments 2018 $	Minimum lease payments 2017 $	Present value of minimum lease payments 2017 $
Group				
Not later than one year	55,505	52,872	135,372	123,000
Later than one year but not more than five years	32,718	32,719	129,900	128,783
Total minimum lease payments	88,223	85,591	265,272	251,783
Less: Amounts representing finance charges	(2,632)	–	(13,489)	–
Present value of minimum lease payments	85,591	85,591	251,783	251,783
Company				
Not later than one year	28,974	28,254	60,348	55,839
Later than one year but not more than five years	–	–	69,689	67,738
Total minimum lease payments	28,974	28,254	130,037	123,577
Less: Amounts representing finance charges	(720)	–	(6,460)	–
Present value of minimum lease payments	28,254	28,254	123,577	123,577

A reconciliation of liabilities arising from financing activities is as follows:

	2017 $	Cash flows $	Non-cash changes Other $	2018 $
Loans				
– current	664,908	(664,908)	651,940	651,940
– non-current	8,583,863	(243,487)	(651,940)	7,688,436
Obligations under finance leases				
– current	123,000	(123,000)	52,872	52,872
– non-current	128,783	(43,192)	(52,872)	32,719
Total	9,500,554	(1,074,587)	–	8,425,967

The 'other' column relates to reclassification of non-current portion of loans and borrowings including obligations under finance leases due to passage of time.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

25. TRADE PAYABLES

	Note	Group		Company	
		2018	2017	2018	2017
		$	$	$	$
Trade payables:					
– external parties		15,149,898	22,465,335	7,482,797	8,964,652
– associate		665,646	851,244	664,779	848,542
– related parties		109,495	111,224	93,856	74,407
– subsidiaries		–	–	8,435,957	7,117,970
	26	15,925,039	23,427,803	16,677,389	17,005,571
Net GST payables		1,742,595	3,582,767	2,094,128	3,541,853
		17,667,634	27,010,570	18,771,517	20,547,424

Trade payables are unsecured, non-interest bearing and are normally settled on 60-days' terms.

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

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

Trade payables denominated in foreign currencies are as follows:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
Euro	57,709	574,954	56,402	–
Malaysian Ringgit	–	27,222	–	27,222
United States Dollar	397,039	1,695,758	278,289	2,934,023

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

26. OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2018	2017	2018	2017
		$	$	$	$
Accrued operating expenses		49,938,315	40,553,876	20,686,758	19,209,701
Accrued staff benefit expenses		12,943,370	12,321,281	10,412,467	10,134,782
Accrued directors' fees		57,500	67,750	57,500	43,750
Other payables		3,952,554	5,537,679	2,646,494	4,321,554
Dividend payable to non-controlling interest		3,546,611	3,500,208	–	–
		70,438,350	61,980,794	33,803,219	33,709,787
Other payables and accruals		70,438,350	61,980,794	33,803,219	33,709,787
Loans and borrowings	24	8,487,457	9,500,554	28,254	123,577
Trade payables	25	15,925,039	23,427,803	16,677,389	17,005,571
Total financial liabilities carried at amortised cost		94,850,846	94,909,151	50,508,862	50,838,935

Other payables have an average term of 6 (2017: 6) months.

These amounts are unsecured, non-interest bearing and short-term in nature.

Other payables and accruals denominated in foreign currencies are as follows:

	Group		Company	
	2018	2017	2018	2017
	$	$	$	$
United States Dollar	331,129	2,740,870	–	164,190

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

27. DEFERRED TAX LIABILITIES

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	$	$	$	$
Deferred tax liabilities				
Differences in depreciation and amortisation for tax purposes	1,208,026	1,831,560	1,389,067	1,148,888
Foreign sourced income not received in Singapore	–	127,732	–	127,732
Undistributed earnings of a subsidiary	153,139	107,302	–	–
Deferred tax assets				
Provisions	(1,362,458)	(2,018,850)	(1,094,119)	(1,853,133)
Unutilised tax losses	(1,359,120)	(722,573)	(256,139)	–
	(1,360,413)	(674,829)	38,809	(576,513)
Presented as:				
Deferred tax assets	(1,881,345)	(1,101,767)	–	(576,513)
Deferred tax liabilities	520,932	426,938	38,809	–
	(1,360,413)	(674,829)	38,809	(576,513)

An analysis of the net deferred taxes is as follows:

	Group	
	2018	**2017**
	$	$
At 1 July	(674,829)	(566,643)
Movements in deferred taxes (Note 8)		
– current financial year	(46,928)	793,855
– over provision in respect of prior years	(632,027)	(909,369)
– currency realignment	(6,629)	7,328
At 30 June	(1,360,413)	(674,829)

Unrecognised tax losses and deductible temporary differences

The Group has unutilised tax losses and deductible temporary differences of approximately $2,855,000 (2017: $16,715,000) and $4,551,000 (2017: $1,439,000) that are available for offset against future taxable incomes of the companies in which the tax losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and deductible temporary differences are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

27. DEFERRED TAX LIABILITIES (CONT'D)

Temporary differences relating to investments in subsidiaries

At the end of the reporting period, $153,139 (2017: $107,302) of deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of one of the Group's subsidiaries.

No deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of certain of the Group's subsidiaries as the Group has determined that undistributed earnings of its subsidiaries will not be distributed in the foreseeable future. Such temporary differences for which no deferred tax liability has been recognised aggregated to $28,683,000 (2017: $31,909,000). The deferred tax liability is estimated to be $4,876,000 ($5,425,000).

Tax consequences of proposed dividends

There are no income tax consequences (2017: $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 2018		Group and Company 2017	
	No. of shares	**$**	**No. of shares**	**$**
At 1 July	255,157,000	58,481,409	255,157,000	58,481,409
Issued during the year	557,763	354,180	–	–
At 30 June	255,714,763	58,835,589	255,157,000	58,481,409

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

b) Treasury shares

	Group and Company 2018		Group and Company 2017	
	No. of shares	**$**	**No. of shares**	**$**
At 1 July	539,208	213,902	2,031,400	822,467
Acquired during the year	200,000	119,830	–	–
Reissued during the year	(539,184)	(213,892)	(1,492,192)	(608,565)
At 30 June	200,024	119,840	539,208	213,902

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

During the current financial year, the Company acquired 200,000 (2017: Nil) shares in the Company through purchases on the Singapore Exchange. The total amount paid to acquire the shares was $119,830 (2017: $ Nil) and this was presented as a component within the shareholders' equity.

The Company reissued 539,184 (2017: 1,492,192) treasury shares pursuant to its employee share option plans at a weighted average exercise price of $0.40 (2017: $0.41) each.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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.

In the current financial year, the SRF has reached 50% of the subsidiary's registered capital. Accordingly, no appropriations were made during the current financial year.

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.

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	
	2018	**2017**
	$	$
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt dividend for 2017: 2.5 (2016: 3.0) cents per share	6,365,445	7,593,768
Proposed but not recognised as a liability as at 30 June:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
Final exempt dividend for 2018: 2.0 (2017: 2.5) cents per share	5,110,295	6,365,445

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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.

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	
	2018	**2017**
	$	$
Profit for the year attributable to owners of the Company	10,427,738	15,695,832
Weighted average number of ordinary shares for basic earnings per share computation*	255,002,112	253,681,595
Effect of dilution:		
– Performance Share Plan	1,141,363	2,238,301
Weighted average number of ordinary shares for diluted earnings per share computation*	256,143,475	255,919,896
Earnings per share (cents per share)		
– Basic	4.1	6.2
– Diluted	4.1	6.1

* 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 2017 ("2018 PSP") (2017: 1 December 2016 defined as "2017 PSP"), awards were granted by the Company to qualifying employees pursuant to the Plan in respect of up to 4,878,048 (2017: 5,555,556) 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 $263,000 (2017: $694,369) in relation to 2016 PSP.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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	
	2018	**2017**
	$	$
(i) *Related parties:*		
Revenue from sale of information systems	8,885	9,011
Revenue from engineering works	–	1,320
Revenue from system installation	1,182	7,023
Office rental expenses	(240,456)	(220,200)
Recharge of utility expenses	(36,176)	(33,475)
(ii) *Associate:*		
Revenue from manpower supply and engineering works	15,499	16,993
Subcontractors charges and manpower charges	(4,985,438)	(3,272,423)

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	
	2018	**2017**
	$	$
Directors' fees	220,983	193,000
Salaries and bonuses	4,545,835	4,972,152
Short-term employee benefits	21,779	44,093
Central Provident Fund contributions	127,295	159,675
Share-based compensation expense	67,950	175,537
Total compensation paid to key management personnel	4,983,842	5,544,457
Comprise amounts paid to		
– Directors of the Company	2,712,053	3,384,380
– Other key management personnel	2,271,789	2,160,077
	4,983,842	5,544,457

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

38. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – as lessee

The Group and the Company have entered into commercial leases on leasehold land and properties, and office equipment as lessee. Operating lease payments for leasehold land and properties, and office equipment, excluding amortisation of land use rights recognised as an expense in the profit or loss during the year amounted to $2,794,488 (2017: $2,566,587) and $230,137 (2017: $73,182) respectively. These leases have an average tenure of between one and thirty years with renewal option included in the contracts.

Future minimum lease payments under non-cancellable operating leases as at 30 June are as follows:

	Group	
	2018	**2017**
	$	$
Within one year	1,691,000	2,095,000
Later than one year but not later than five years	4,279,000	5,306,000
More than five years	2,751,000	3,917,000
	8,721,000	11,318,000

(b) Operating lease commitments – as lessor

The Group has entered into commercial leases on office space as lessor. These non-cancellable leases have remaining lease term of one to two years.

Future minimum rental receivable under non-cancellable operating leases as at 30 June are as follows:

	Group	
	2018	**2017**
	$	$
Within one year	313,000	283,000
Later than one year but not later than five years	111,000	63,000
	424,000	346,000

(c) Contingent liabilities

The Company has provided corporate guarantees to banks amounting to $3,154,000 (2017: $3,154,000) for loans taken by its subsidiaries (Note 24 and Note 40).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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.

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		
2018		
Financial assets:		
Available-for-sale financial assets		
– Investment securities (quoted)	15	6,321
2017		
Financial assets:		
Available-for-sale financial assets		
– Investment securities (quoted)	15	5,865

Determination of fair value

Investment securities (Note 15): Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

The following table shows an analysis of the Group's assets not measured at fair value at the end of the reporting period but for which fair value is disclosed:

		Fair value measurements at the end of the reporting period using		
	Note	**Significant observable inputs other than quoted prices (Level 2)** $	**Significant unobservable inputs (Level 3)** $	**Carrying amount** $
2018				
Non-financial assets				
Investment properties	10	8,100,000	–	6,910,806
Financial assets				
Trade receivables	19	–	1,396,121	1,651,520
		8,100,000	1,396,121	8,562,326
2017				
Non-financial assets				
Investment properties	10	8,290,000	–	7,372,148
Financial assets				
Trade receivables	19	–	1,165,360	1,465,137
		8,290,000	1,165,360	8,837,285

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.

Trade receivables (Note 19): The fair value as disclosed above is estimated by discounting expected future cash flows at prime lending rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

(a) Credit risk (cont'd)

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			
	2018		2017	
	$	% of total	$	% of total
By country:				
Singapore	31,456,053	33%	37,628,949	33%
United Arab Emirates	51,353,170	54%	64,960,465	57%
Vietnam	3,343,125	4%	3,722,070	3%
Other countries	8,224,323	9%	7,539,722	7%
	94,376,671	100%	113,851,206	100%

At the end of the reporting period, approximately 53% (2017: 50%) of the Group's trade receivables was due from 1 customer located in United Arab Emirates.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits, bank deposits pledged and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19.

(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 9.0% (2017: 8.3%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

(b) Liquidity risk (cont'd)

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	Over 1 year	Total
	$	$	$
Group			
2018			
Financial assets			
Trade receivables	92,725,151	1,651,520	94,376,671
Other receivables and deposits	6,626,053	–	6,626,053
Accrued income	46,761,831	–	46,761,831
Cash and short-term deposits	86,794,885	–	86,794,885
Total undiscounted financial assets	232,907,920	1,651,520	234,559,440
Financial liabilities			
Trade payables	15,925,039	–	15,925,039
Other payables and accruals	70,438,350	–	70,438,350
Loans and borrowings	953,480	10,290,618	11,244,098
Total undiscounted financial liabilities	87,316,869	10,290,618	97,607,487
Total net undiscounted financial assets/(liabilities)	145,591,051	(8,639,098)	136,951,953
2017			
Financial assets			
Trade receivables	112,386,069	1,465,137	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	263,815,833	1,465,137	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)	177,377,688	(10,371,273)	167,006,415

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

(b) Liquidity risk (cont'd)

	1 year or less $	Over 1 year $	Total $
Company **2018**			
Financial assets			
Trade receivables	43,768,852	–	43,768,852
Other receivables and deposits	7,230,579	–	7,230,579
Accrued income	37,319,695	–	37,319,695
Loans due from subsidiaries	10,943,927	–	10,943,927
Cash and short-term deposits	46,614,524	–	46,614,524
Total undiscounted financial assets	145,877,577	–	145,877,577
Financial liabilities			
Trade payables	16,677,389	–	16,677,389
Other payables and accruals	33,803,219	–	33,803,219
Loans and borrowings	28,974	–	28,974
Total undiscounted financial liabilities	50,509,582	–	50,509,582
Total net undiscounted financial assets	95,367,995	–	95,367,995
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	229,973	–	229,973
Loans due from subsidiaries	6,972,361	–	6,972,361
Cash and short-term deposits	51,114,832	–	51,114,832
Total undiscounted financial assets	148,751,985	–	148,751,985
Financial liabilities			
Trade payables	17,005,571	–	17,005,571
Other payables and accruals	33,709,787	–	33,709,787
Loans and borrowings	60,348	69,689	130,037
Total undiscounted financial liabilities	50,775,706	69,689	50,845,395
Total net undiscounted financial assets/(liabilities)	97,976,279	(69,689)	97,906,590

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

(b) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Company's financial guarantees. The maximum amount of the financial guarantees are allocated to the earliest period in which the guarantee could be called.

Company	**2018** $	**2017** $
	1 year or less	
Financial guarantees (Note 38c)	3,154,000	3,154,000

At the reporting date, the counterparties to the financial guarantees do not have a right to demand payment of cash as there is no default on the borrowings obtained by the subsidiaries.

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Malaysian Ringgit ("MYR"), 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 46% (2017: 35%) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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

(c) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD, MYR, RMB and AED exchange rates against the respective functional currencies of the Group entities, with all other variables held constant, on the Group's profit/(loss) before tax as at the end of the reporting period.

			Group	
			2018	2017
			Profit/(loss)	
			Increase (+)/ decrease (–)	Increase (–)/ decrease (+)
			$'000	$'000
USD/SGD	– strengthened 3%	(2017: 3%)	+246	+266
	– weakened 3%	(2017: 3%)	-246	-266
USD/AED	– strengthened 3%	(2017: 3%)	+106	+31
	– weakened 3%	(2017: 3%)	-106	-31
MYR/SGD	– strengthened 3%	(2017: 3%)	+33	+141
	– weakened 3%	(2017: 3%)	-33	-141
RMB/SGD	– strengthened 3%	(2017: 3%)	+123	+112
	– weakened 3%	(2017: 3%)	-123	-112
AED/SGD	– strengthened 3%	(2017: 3%)	+1,488	+1,706
	– weakened 3%	(2017: 3%)	-1,488	-1,706

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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	
	2018	**2017**
	$	$
Total borrowings (Note 24)	8,487,457	9,500,554
Total equity attributable to the owners of the Company	231,158,281	226,603,980
Total capital employed	239,645,738	236,104,534
Gearing ratio	3.54%	4.02%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

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, petrochemical, 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 2018

42. SEGMENT INFORMATION (CONT'D)

(a) Business segments

	Project works	Plant maintenance and related services	Other operations	Eliminations	Total
	$	$	$	$	$
2018					
Revenue	108,838,192	226,552,263	521,782	–	335,912,237
Inter-segment sales	23,291,814	17,288,441	1,740,995	(42,321,250)	–
Total revenue	132,130,006	243,840,704	2,262,777	(42,321,250)	335,912,237
Results:					
Segment results	30,315,958	54,847,930	191,148	–	85,355,036
Unallocated expenses and income, net					(58,457,206)
Interest income					878,398
Depreciation and amortisation	(4,443,748)	(1,383,244)	(137,284)	–	(5,964,276)
Unallocated depreciation and amortisation					(6,982,176)
Impairment of trade receivables	(8,076)	(389,838)	(318)	–	(398,232)
Finance costs					(397,967)
Share of results of associate	–	–	311,189	–	311,189
Profit before tax					14,344,766
Income tax expense					(2,649,091)
Profit for the year					11,695,675
Assets:					
Additions to property, plant and equipment	2,679,532	3,651,640	575,693		6,906,865

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2018

42. SEGMENT INFORMATION (CONT'D)

(a) Business segments (cont'd)

	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					(54,952,451)
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 of trade receivables	100,000	300,000	–	–	400,000
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 2018

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
	$	$	$	$	$	$
2018						
Revenue	211,970,660	2,643,389	44,621,698	76,676,490	–	335,912,237
Inter-segment sales	25,701,501	195,689	–	16,424,060	(42,321,250)	–
Segment revenue	237,672,161	2,839,078	44,621,698	93,100,550	(42,321,250)	335,912,237
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

	Singapore	Malaysia	United Arab Emirates	Others	Eliminations	Total
	$	$	$	$	$	$
2018						
Non-current assets	107,349,987	3,858,694	6,730,612	15,490,833	(41,494,594)	91,935,532
2017						
Non-current assets	113,842,543	3,888,084	8,325,726	13,951,229	(41,494,594)	98,512,988

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

Information about major customers

Revenue from two major customers amount to approximately $98,200,000 (2017: $149,100,000), 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 2018 were authorised for issue in accordance with a resolution of the directors on 27 September 2018.

STATISTICS OF SHAREHOLDINGS

As at 14 September 2018

ISSUED SHARES AND VOTING RIGHTS

Number of Issued shares (including Treasury Shares)	–	255,714,763
Number of Issued shares (excluding Treasury Shares)	–	255,142,439
Number / Percentage of Treasury Shares	–	572,324 (0.2%)
Voting rights	–	One vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	9	0.46	228	0.00
100 – 1,000	112	5.72	91,592	0.03
1,001 – 10,000	988	50.46	6,502,323	2.55
10,001 – 1,000,000	824	42.08	42,529,043	16.67
1,000,001 AND ABOVE	25	1.28	206,019,253	80.75
TOTAL	**1,958**	**100.00**	**255,142,439**	**100.00**

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	No. of Shares		Total No. of Shares	%
	Direct Interest	Deemed Interest		
Tian San Company (Pte) Limited	85,750,000	–	85,750,000	33.61
Edna Ko Poh Thim [1]	35,059,091	85,750,000	120,809,091	47.35
Mark Ko Teong Hoon	23,624,475	–	23,624,475	9.26

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 14 September 2018

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	TIAN SAN COMPANY (PTE.) LIMITED	85,750,000	33.61
2	KO POH THIM EDNA	35,059,091	13.74
3	MARK KO TEONG HOON (GAO ZHONGXUN)	23,624,475	9.26
4	DBS NOMINEES (PRIVATE) LIMITED	8,192,675	3.21
5	HSBC (SINGAPORE) NOMINEES PTE LTD	5,130,900	2.01
6	YIM CHEE CHONG	5,036,000	1.97
7	CITIBANK NOMINEES SINGAPORE PTE LTD	4,931,824	1.93
8	DB NOMINEES (SINGAPORE) PTE LTD	4,931,200	1.93
9	WONG PENG	4,575,909	1.79
10	NG KHAN TEE	3,501,575	1.37
11	KO TEOH MEI SHU SUSIE	3,500,000	1.37
12	PATRICIA KO POH CHENG	3,082,100	1.21
13	MELISSA PEONY KO LU TENG	2,668,950	1.05
14	LEE MAY PENG MAISIE	1,750,000	0.69
15	KO LU SEIN	1,600,000	0.63
16	UOB KAY HIAN PRIVATE LIMITED	1,575,700	0.62
17	KO PECK HOON OR SEAH LEE HUANG	1,543,400	0.60
18	PHILLIP SECURITIES PTE LTD	1,346,400	0.53
19	ISKOUNEN MEHDI ADAM	1,300,000	0.51
20	ROBERT DOMPELING	1,279,091	0.50
	TOTAL	**200,379,290**	**78.53**

PERCENTAGE OF SHAREHOLDING HELD IN PUBLIC HANDS

Based on the information available to the Company as at 14 September 2018, approximately 33.44% 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 Amara Hotel Ballroom 2, 165 Tanjong Pagar Road, Singapore 088539 on Thursday, 25 October 2018 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 2018 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt One-Tier Final Dividend of 2.0 cents per ordinary share for the financial year ended 30 June 2018. **(Resolution 2)**

3. To re-elect Mr Robert Dompeling, being a Director who retires by rotation pursuant to Article 114 of the Constitution of the Company. **(Resolution 3)**

4. To re-elect Dr Foo Fatt Kah, being a Director who retires by rotation pursuant to Article 114 of the Constitution of the Company. [See Explanatory Note (i)] **(Resolution 4)**

5. To approve the payment of Directors' fees of S$230,000 for the financial year ending 30 June 2019, to be paid quarterly in arrears. **(Resolution 5)**

6. To re-appoint Messrs Ernst & Young LLP as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. **(Resolution 6)**

7. To transact any other routine business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without modifications:

8. **SHARE ISSUE MANDATE**

THAT pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and notwithstanding the provisions of the Constitution of the Company, authority be and is hereby given to the Directors of the Company to:

a. (i) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise); and/or

(ii) make or grant offers, agreements or options that may or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares (collectively, "**Instruments**"),

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

NOTICE OF ANNUAL GENERAL MEETING

b. (Notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

provided that:

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below), of which the aggregate number of shares to be granted other than on a pro-rata basis to shareholders of the Company with registered addresses in Singapore (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company (as calculated in accordance with sub-paragraph (ii) below);

(ii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (i) above, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company shall be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(iii) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(iv) unless revoked or varied by the Company in general meeting, the authority conferred by this Resolution shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier. [See Explanatory Note (ii)] **(Resolution 7)**

NOTICE OF ANNUAL GENERAL MEETING

9. **PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE**

THAT:

(a) for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a "**Market Purchase**") on the SGX-ST; and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:

(i) the date on which the next annual general meeting of the Company is held;

(ii) the date on which the next annual general meeting of the Company is required by law to be held; or

(iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated;

(c) in this Resolution:

"**Prescribed Limit**" means ten per cent. (10%) of the total number of issued Shares (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and any Shares which are held as treasury shares) as at the date of the passing of this Resolution, unless the Company has effected a reduction of its share capital in accordance with the applicable provisions of the Companies Act at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date of the passing of this Resolution and expiring on the date the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier; and

"**Maximum Price**" in relation to a Share to be purchased or acquired, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as hereinafter defined); and

(ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price (as hereinafter defined),

NOTICE OF ANNUAL GENERAL MEETING

where:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after such five (5)-Market Day period;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

(d) the Directors or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company pursuant to the Share Purchase Mandate in any manner as they think fit, which is permissible under the Companies Act; and

(e) the Directors or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. [See Explanatory Note (iii)] **(Resolution 8)**

10. **AUTHORITY TO GRANT AWARDS AND ALLOT AND ISSUE SHARES UNDER THE PEC PERFORMANCE SHARE PLAN**

THAT the Directors of the Company be and are hereby authorised to:

(a) grant awards ("**Awards**") in accordance with the provisions of the PEC Performance Share Plan (the "**Plan**"); and

(b) pursuant to Section 161 of the Companies Act, allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of Awards granted under the Plan,

provided always that the aggregate number of shares to be delivered pursuant to the vesting of Awards granted or to be granted under the Plan, when added to the number of shares issued and/or issuable under such other share-based incentive schemes of the Company, shall not exceed fifteen per cent. (15%) of the total number of issued shares of the Company (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares) on the day preceding the relevant award date. [See Explanatory Note (iv)] **(Resolution 9)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Joint Company Secretary

Singapore, 9 October 2018

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. Save as provided in the Constitution, a member (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

2. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 21 Shipyard Road, Singapore 628144, not less than 48 hours before the time appointed for holding the Annual General Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

EXPLANATORY NOTES:

(i) Resolution 4 is to re-elect Dr Foo Fatt Kah as a Director of the Company. Dr Foo, upon re-election as a Director of the Company, will remain as the Chairman of the Remuneration Committee and a member of the Audit and Risk Management Committee and the Nominating Committee. Dr Foo is the Lead Independent Director.

(ii) Resolution 7 proposed in item 8. above, if passed, is to empower the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above), and to issue shares in pursuance of such Instruments. The aggregate number of shares to be issued pursuant to Resolution 7 (including shares to be issued in pursuance of Instruments made or granted) shall not exceed fifty per cent. (50%) of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company, with a sub-limit of twenty per cent. (20%) for shares issued other than on a pro rata basis (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to shareholders with registered addresses in Singapore. For the purpose of determining the aggregate number of shares that may be issued, the percentage of the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company will be calculated based on the total number of issued shares excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares of the Company at the time of the passing of Resolution 7, after adjusting for (i) new shares arising from the conversion or exercise of any convertible securities; (ii) new shares arising from exercise of share options or vesting of share awards outstanding or subsisting at the time of the passing of Resolution 7, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and (iii) any subsequent bonus issue, consolidation or subdivision of shares.

NOTICE OF ANNUAL GENERAL MEETING

(iii) **Resolution 8** proposed in item 9. above, if passed, will empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of market purchases or off-market purchases) Shares on the terms of the Share Purchase Mandate as set out in the letter to shareholders of the Company dated 9 October 2018 (the "**Letter**").

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance its purchase or acquisitions of Shares pursuant to the Share Purchase Mandate. It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the net tangible asset value and earnings per Share as the resultant effect would depend on, inter alia, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares, the amount (if any) borrowed by the Company to fund the purchases or acquisitions, and whether the Shares purchased or acquired are cancelled or held as treasury shares.

An illustration of the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Purchase Mandate based on the audited financial statements of the Group for the financial year ended 30 June 2018 is set out in paragraph 2.7 of the Letter.

(iv) **Resolution 9** proposed in item 10. above, if passed, is to authorise the Directors to (a) offer and grant Awards in accordance with the provisions of the Plan and (b) pursuant to Section 161 of the Companies Act, to allot and issue shares in the capital of the Company pursuant to the vesting of Awards granted under the Plan, provided that the aggregate number of shares to be delivered pursuant to the vesting of Awards granted or to be granted under the Plan, when added to the number of shares issued and/or issuable in respect of such other share-based incentive schemes of the Company shall not exceed fifteen per cent. (15%) of the total number of issued shares of the Company (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares) on the day preceding the relevant award date. As at the Latest Practicable Date, (a) apart from the Plan, there are no other share-based incentive schemes of the Company in force; and (b) Awards in respect of up to 18,225,812 shares have been granted under the Plan of which 2,589,139 shares have been released.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company: (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PEC LTD.

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

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") may attend and cast his vote(s) at the Meeting in person. A CPF Investor who is unable to attend the Meeting but would like to vote, may inform his CPF Approved Nominees to appoint the Chairman of the Meeting to act as his proxy, in which case, the CPF Investor shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, _____(Name)_____ (NRIC/ Passport Number/ Company Regn. No.)

of _____ (Address)

being a member/members of PEC LTD. (the "Company"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or failing him/her (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be held at Amara Hotel Ballroom 2, 165 Tanjong Pagar Road, Singapore 088539 on Thursday, 25 October 2018 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 2018 **(Resolution 1)**		
2	Approval of Tax Exempt One-Tier Final Dividend **(Resolution 2)**		
3	Re-election of Mr Robert Dompeling as a Director **(Resolution 3)**		
4	Re-election of Dr Foo Fatt Kah as a Director **(Resolution 4)**		
5	Approval of Directors' fees of S$230,000 for the financial year ending 30 June 2019, to be paid quarterly in arrears **(Resolution 5)**		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors **(Resolution 6)**		
7	Any other business		
	SPECIAL BUSINESS		
8	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 **(Resolution 7)**		
9	Renewal of Share Purchase Mandate **(Resolution 8)**		
10	Authority for Directors to grant awards and allot and issue shares under the PEC Performance Share Plan **(Resolution 9)**		

* If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2018

Total Number of Shares held in:	
CDP Register	
Register of Members	

_____

Signature(s) of member(s)
or Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's Registered Office at 21 Shipyard Road, Singapore 628144 not less than 48 hours before the time set for the Meeting.
4. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number or class of shares shall be specified).
6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its officer or attorney duly authorised. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50 and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

AFFIX
POSTAGE
STAMP

PEC LTD.
21 Shipyard Road
Singapore 628144

---

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 9 October 2018.

Corporate Information



BOARD OF DIRECTORS

Edna Ko Poh Thim
(Executive Chairman)

Robert Dompeling
(Group Chief Executive Officer)

Wong Peng
(Non-Executive and Non-Independent Director)

Dr Foo Fatt Kah
(Lead Independent Director)

David Wong Cheong Fook
(Independent Director)

Tan Whei Mien, Joy
(Independent Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

David Wong Cheong Fook
Chairman

Dr Foo Fatt Kah

Tan Whei Mien, Joy

NOMINATING COMMITTEE

Tan Whei Mien, Joy
Chairman

Dr Foo Fatt Kah

David Wong Cheong Fook

REMUNERATION COMMITTEE

Dr Foo Fatt Kah
Chairman

Tan Whei Mien, Joy

David Wong Cheong Fook

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

REGISTERED OFFICE

21 Shipyard Road
Singapore 628144
Tel : +65 6268 9788
Fax : +65 6268 9488
Website : www.peceng.com

COMPANY REGISTRATION NUMBER
198200079M



PEC LTD.

(Co. Registration No.:198200079M)

21 Shipyard Road, Singapore 628144
T +65 6268 9788
F +65 6268 9488

Investor enquiries:
ir@peceng.com

Website:
www.peceng.com