
STAYING THE COURSE
BUILDING CAPABILITIES
FORTIFYING RESILIENCE
2020
ANNUAL REPORT
PEC LTD.

World trade, already hit by intensifying geopolitical tensions and weak global oil demand, is expected to plummet further due to economic disruptions caused by the coronavirus ("Covid-19") pandemic. At the same time, restrictions on movement and social distancing to slow the spread of the disease have exacerbated the slowdown, plunging the world into its worst economic downturn since the Second World War.

The outbreak has brought the global economy to a virtual standstill, even as businesses and organisations have had to swiftly shift the way they operate to sustain themselves in the wake of the deadly virus.

Our five-pronged strategy has seen us through many challenging times - such as the 2008 global financial crisis and periods of extreme oil price volatility - and we have been able to strengthen the "PEC" brand and reach with each crisis. As an established integrated project and maintenance solutions provider, PEC continues to grow its customer base, track record and reputation for both maintenance and project works in Asia and the Middle East.

Although it is too early to predict the full impact and duration of the pandemic, we are confident that by staying the course, building on our capabilities and fortifying our resilience, we shall emerge stronger, ready to take hold of new opportunities that will arise out of the current crisis.

Staying the course of our tried and tested business strategy, we shall rise above our challenges and take hold of fresh opportunities to build a sustainable future for all stakeholders.

STAYING THE COURSE

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: energy, petrochemicals, oil & chemical terminals and pharmaceuticals.

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

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

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

An experienced and skilled 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 fleet of equipment and supported by our multi-skilled workforce, we can cross-deploy our resources quickly and effectively, giving us the flexibility to respond promptly to customer needs and compete confidently in the industry.

BUSINESS STRATEGY

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

STRENGTHEN OUR GLOBAL FOOTPRINT

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

KEEP A BALANCED REVENUE STREAM

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

ADD TO NICHE CAPABILITIES AND PRODUCTS

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

DEEPEN EXISTING ENGINEERING AND ICT CAPABILITIES

We continually implement strategic initiatives to deepen and widen our existing engineering and ICT (Information and Communications Technology) capabilities that will enable us to ride on the wave of digitalisation to enhance our competitive edge in the process industry. We are well prepared to serve the requirements of the "next generation" of integrated refining and manufacturing facilities that are being built around the world.

EXPLORE ADJACENT INDUSTRIES

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

FINANCIAL HIGHLIGHTS

Economic Performance Indicators (S$'M)	FY2018	FY2019	FY2020
Revenue (S$ million)	330.8	392.7	**495.1**
Net Profit/(Loss) After Tax (S$ million)	10.8	9.8	**(13.2)**
Net Profit/(Loss) Attributable to Shareholders (S$ million)	9.5	8.3	**(12.8)**

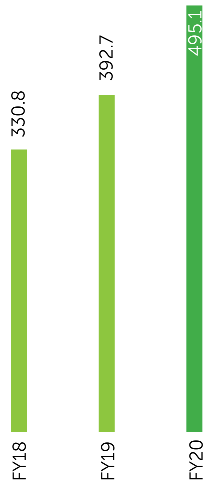
Key Financial Ratios	FY2018	FY2019	FY2020
Earnings/(Loss) per Share (cents)[1]	3.7	3.2	**(5.0)**
Net Asset Value per Share[2] (cents)	90.5	90.8	**83.6**
Gross gearing (%)[3]	3.7	8.2	**8.9**

Balance Sheet (S$ million)	As at 30 June		
	2018	2019	2020
Non-current assets	95.5	102.1	**126.9**
Current assets	250.8	333.2	**309.3**
Current liabilities	96.7	185.8	**192.9**
Non-current liabilities	9.5	8.5	**26.9**
Shareholders' equity	231.2	231.5	**212.8**
Minority Interest	8.9	9.5	**3.6**

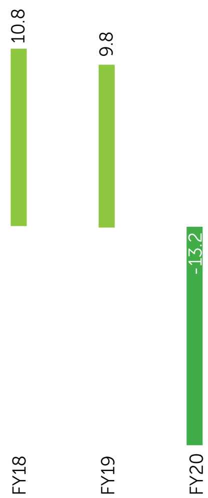
Cashflow Statement (S$ million)	FY2018	FY2019	FY2020
Net cash (used in)/generated from operating activities	(7.1)	22.3	**36.3**
Net cash used in investing activities	(6.0)	(17.8)	**(16.8)**
Net cash (used in)/generated from financing activities	(7.6)	3.4	**(14.6)**
Cash & cash equivalents at beginning of financial year	107.0	86.7	**93.4**
Cash & cash equivalents at end of financial year	86.7	93.4	**100.1**

1. EPS is computed using the net proft attributable to Shareholders of the Company divided by weighted average number of ordinary shares for basic earnings.
2. 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.
3. Gross gearing is computed using the total loans and borrowings of the Group divided by the equity attributable to owners of the Company.

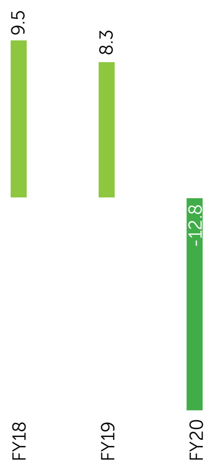
REVENUE (S$m)



NET PROFIT/(LOSS) AFTER TAX (S$m)



NET PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS (S$m)



BUILDING CAPABILITIES

We are always improving our skill sets and processes, building on our capabilities with an unwavering spirit of excellence that advances our reputation and sharpens our competitive edge.

FORTIFYING RESILIENCE

Prudence in capital management and the ability to quickly adapt new technologies to provide innovative and effective solutions to clients go hand in hand in fortifying our resilience.

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

GLOBAL PRESENCE

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

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

CHAIRMAN AND CEO'S STATEMENT

Edna Ko Poh Thim

DEAR SHAREHOLDERS,

The year 2020 will likely be seen as a pivotal moment in history as the world is not only struggling to overcome COVID-19 but also settle into a new 'norm' and work itself out of its worst recession since the Second World War.

We started the financial year ended 30 June 2020 (FY2020) on a positive note amidst continued geopolitical uncertainties, trade tensions and intense competition. Then, the pipeline for project works and maintenance, including turnaround work, was more visible as previously delayed project investments had begun to materialise in and outside Singapore.

In the first nine months of FY2020, we were busy executing various project works and maintenance contracts on hand. However, these activities, especially in Singapore, have been drastically cut down as countries went into lockdown and closed their borders, restricting global trade and travel flows in an effort to stop the spread of the coronavirus.

Even though the Group's second half performance was significantly affected by the sudden turn in prospects due to COVID-19 and the lockdown in Singapore, the project works segment reported a strong 88% rise in revenue to S$274.7 million largely from ongoing and completed contracts in overseas markets such as Malaysia and the Middle East.

This helped to cushion the lower contribution from maintenance services, mainly in the Singapore market, which declined from S$246.0 million in FY2019 to S$220.0 million in FY2020. As a result, the Group achieved a 26% higher revenue of S$495.1 million for the year.

Reflecting the higher level of activity in a keenly competitive environment still grappling with the impact of COVID-19 during the year, the Group's cost of sales rose 34% to S$410.6 million and gross profit slipped 3% to S$84.4 million. The foreign worker levy waiver and rebates granted by the Singapore government during this trying period helped ease labour costs as the Group was unable to resume work due to the COVID-19 measures.

The Group reported a net loss of S$13.2 million against a profit of S$9.8 million in FY2019, mainly due to the net impairment of financial assets of about S$16.4 million and the COVID-19 pandemic. After careful consideration, the Group decided to make a provision of about S$10.7 million for the long outstanding receivables due from a customer for a completed overseas project. Excluding this impairment, the Group would have been profitable.

PEC's balance sheet remained healthy with a net cash position of S$81.1 million as at 30 June 2020 and the Group generated an improved net cash flow from operating activities of S$36.3 million in FY2020, supported by the higher revenue and careful management of costs and working capital.

We are progressively resuming operations in Singapore, and our project works orderbook stood at S$191.0 million as at 30 June 2020. This orderbook, which excludes maintenance contracts, remains intact albeit on revised longer completion schedules.

STAYING THE COURSE, BUILDING CAPABILITIES, FORTIFYING RESILIENCE

Already facing prospects of negative economic growth and declining consumer demand, the added woes

Robert Dompeling

from COVID-19 have shaken the operational and financial robustness of all businesses, big and small.

Looking back at how PEC has steadfastly manoeuvred itself through the cyclical ups and downs of the energy & petrochemical sectors, financial crises and even the Gulf War since its founding in 1982, we are confident that the Group can continue to rely on its tested and proven 5-pronged strategy[1], experienced management and team of well-trained and equipped workforce to seize opportunities in the current adversity.

Staying The Course

The COVID-19 restrictions on travel and even trade mean limited opportunities to strengthen the Group's global footprint. Nevertheless, we continued to invest in building and entrenching the PEC name and reputation for project works and maintenance services in our key Asia and Middle East markets during the year. In line with this strategic direction, the Group secured two new operating maintenance sites in the People's Republic of China and recently completed the purchase of the remaining 40% equity interest in Huizhou Tianxin Petrochemical Engineering Co. Ltd for RMB 37.5 million (or S$7.4 million). The latter provides project works and maintenance services to China's energy & petrochemical sectors. In Singapore, the Group carried on with its plans to develop its regional headquarters and Centre of Excellence (CoE) at the International Business Park in Jurong – the S$7.2 million property investment was completed in April 2020.

With travel restrictions, we quickly adopted technologies to enable virtual online meetings, allowing us to continue interacting and communicating with existing and potential clients as well as our employees in and outside Singapore.

In staying the course, we have not relented on our commitment to the safety, health and well-being of our people, especially our staff on the ground. Since the start of the circuit breaker period in April, our human resource and operations teams have spent countless hours and effort to manage the COVID-19 situation within the Group's engineering facilities and work sites in Asia and the Middle East.

In Singapore, we were careful to observe and implement the various Safe Management Measures and Safe Restart Criteria laid out by the local authorities. For instance, we have equipped each foreign worker with a smart phone, for those who don't already own one, to download and activate four national tracing applications, such as the TraceTogether, Safe Entry and SGWorkPass apps, in order to be allowed to leave their dormitories and go to work.

On top of this, our Information, Communication and Technology (ICT) team has developed the Group's own PEC SaFe Entry Software for all employees and visitors at our different worksites and offices in Singapore and the region. The software enables data collection and verification at entry/exit points to facilitate contact tracing efforts. Within our premises, we have also restricted the number of people that can attend meetings at any one time in line with the Safe Distancing guidelines.

While these have kept us busy, we have not forgotten about supporting and caring for our community and the environment as we believe that Corporate Social Responsibility is part and parcel of building a sustainable business. In this respect, we have

CHAIRMAN AND CEO'S STATEMENT

been organising food deliveries to the beneficiaries and participated in the Plant-A-Tree programme at Jurong Island organised by the National Parks Board and JTC Corporation in October despite the COVID-19 pandemic while ensuring safe management measures are in place[2].

Building Capabilities

Over the years, our people have undergone various training and upskilling programmes to deepen and widen their engineering and ICT capabilities that strengthened the Group's position to meet the requirements of modern 'smart' plants.

Although the COVID-19 situation has disrupted our normal training and upskilling schedules, we continue to explore opportunities to acquire and grow capabilities that will add to our existing skill sets.

The Group's CoE plays a critical role in this strategy, sustaining PEC's expansion and building the company's next generation of leaders. We plan to develop the CoE as the heart of deep engineering skills which will support the Group's local and regional projects as well as plant maintenance work.

PEC has also been gearing up and developing its Digital Acceleration Roadmap to strategically implement the Group's digital transformation that is aligned with Singapore's Industry 4.0 model to enable digitalisation and automation of our processes. This focused build-up of our ICT capabilities complements our growing engineering expertise by actively leveraging on digital technology to improve the Group's long-term competitiveness, productivity and operational abilities.

Driven by this strategic emphasis, our ICT team has developed and implemented several innovative cloud-based applications and management systems that result in more efficient maintenance planning and scheduling. These include the Blind Management, Joint Integrity Assurance and Maintenance Planning Reporting systems which digitalise the maintenance, modification or repair workflow process so that critical information is visible at the touch of a button. The bar code scanning in these systems eliminates any data entry mistakes.

Fortifying Resilience

Though the circuit breaker period has been lifted and we are presently in Phase 2 of the reopening of the Singapore economy, it is a challenging task to manage costs, including additional costs related to ensuring work sites comply with COVID-Safe requirements in Singapore.

While the Group has always exercised prudence in cost management, these extraordinary times call for extraordinary measures to further fortify our resilience for a sustainable future. We have implemented cost cutting across the board, including wage cuts, no-pay leave and headcount reduction amid COVID-19 to reduce labour costs. In Singapore for instance, we have downsized our workforce in response to the sharp drop in work activity but we continue to incur costs for accommodation, meals and medical expenses for the surplus foreign workers as we are unable to repatriate them due to international border closures and the lack of flights. We have also reorganised and merged departments to improve our cost efficiency.

While these strategic steps are expected to result in cost savings going forward, we will remain vigilant over PEC's overall operating structure, striking a balance at the same time so as not to affect the Group's ability to respond quickly to the eventual full restart in Singapore, and the recovery in the process industry.

PROSPECTS AND OUTLOOK

The COVID-19 pandemic has brought economic activity to a near-standstill as countries impose travel restrictions, lockdowns and quarantines. This, coupled with oversupply and the unprecedented collapse in oil demand have resulted in a sharp decline in new investments with energy & petrochemical majors slashing capital expenditures and jobs, and even postponing or cancelling projects.

At the same time, geopolitical uncertainties, trade tensions and the risk of corporate indebtedness have added to the depressed investment sentiment. The climb out of this deep global recession is therefore likely to be slow and long, with a coronavirus resurgence looming as a constant threat and the full revival of business activities may take longer than previously expected.

Notwithstanding this bearish outlook, we believe that the long-term fundamentals of the energy & petrochemical sectors remain intact and projects will come onstream again with the recovery of the world economy and pick up in demand for oil derived products. Until then, there exist opportunities in the crude oil storage terminal facility segment, where demand for oil storage is high today amid a supply glut. In addition, the prospects for maintenance are promising around the region, especially in China, Malaysia and the Middle East.

We are determined to overcome this crisis together and continue to uphold our efforts towards digitalisation, financial discipline and building our capabilities and synergies that will sharpen the Group's edge to seize opportunities when the energy industry recovers.

PROPOSED DIVIDEND

While PEC acknowledges the need to conserve cash during this coronavirus pandemic and difficult economic times, the Board is proposing a final tax-exempt, one-tier dividend of 0.5 S¢ per ordinary share for FY2020 as a token of appreciation for the continued steadfast support of our shareholders. If approved by shareholders at the Annual General Meeting scheduled for 28 December 2020, the total payout will be S$1.3 million.

ACKNOWLEDGMENTS AND APPRECIATION

We are pleased to welcome Mr Pek Hak Bin as an Independent Director. His extensive experience and network in the financial services and energy sectors will enhance the diverse capabilities and strengths of the Board.

On behalf of the Board, we would also like to extend our thanks to our clients and business partners for their patience and unwavering trust in us. We are especially grateful to every member of our staff for their perseverance, cooperation and overwhelming support during this difficult time. Working tirelessly together as one team, we are confident that we shall overcome all obstacles and steer PEC safely and surely through the current crisis.

Edna Ko Poh Thim
Executive Chairman

Robert Dompeling
Chief Executive Officer

1. Please refer to page 3 of this annual report for the Group's Business Strategy.
2. Please refer to the Sustainability Report for more details.

BOARD OF DIRECTORS

Edna Ko Poh Thim Robert Dompeling

EDNA KO POH THIM
Executive Chairman

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

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

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

ROBERT DOMPELING
Group Chief Executive Officer

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

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

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

WONG PENG
Non-Executive and Non-Independent Director cum Advisor

Mr Wong is our Non-Executive and Non-Independent Director 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 three 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. He is currently a non-executive director of Anchor Resources Limited, Ayondo Ltd. and Variscan Mines Ltd, an ASX-listed company,

Wong Peng · Dr Foo Fatt Kah · David Wong Cheong Fook · Joy Tan Whei Mien · Pek Hak Bin

and sits on the board of a number of private companies and funds. Dr Foo obtained his degree in medicine and a master's in business administration from Queen's University, United Kingdom. He is a member of the Singapore Institute of Directors (SID).

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 PEC Ltd., PNG Sustainable Development Programme, and Banking Computer Services Pte Ltd. In addition, he serves as the Chairman of Republic Polytechnic, and a Member of the Charity Council.

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

He has a Bachelor of Arts (Honours) and a Master of Arts from the University of Cambridge. He is a member of the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors.

JOY TAN WHEI MIEN
Independent Director

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

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

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

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

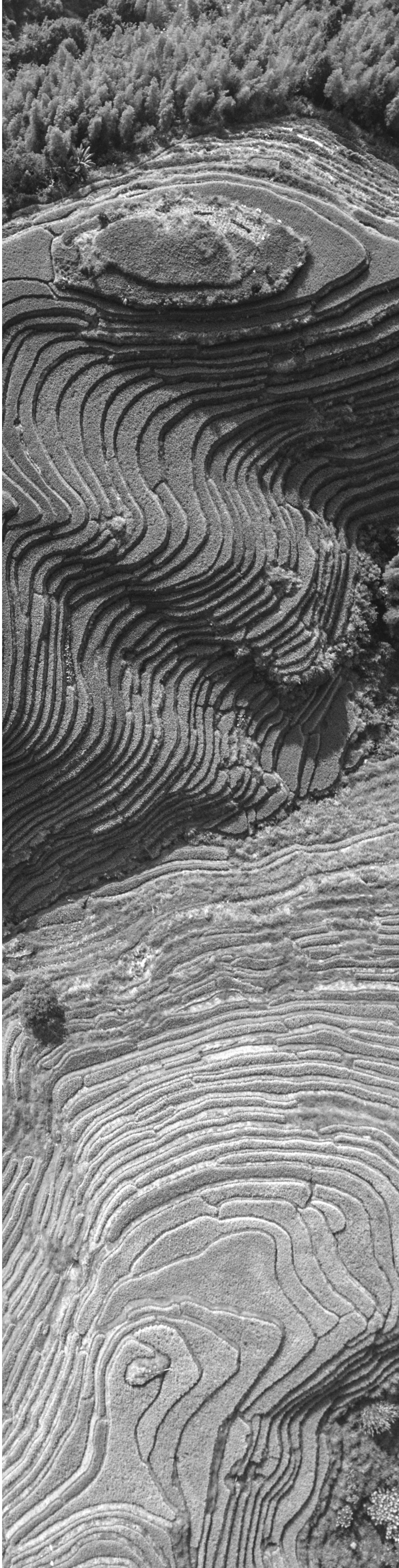
PEK HAK BIN
Independent Director

Mr Pek joined the board as an independent director on 1 July 2020.

He was previously a senior executive at an international oil & gas major as well as partner and regional head of oil & gas at KPMG Singapore.
Mr Pek was also a non-executive board director of Singapore's Energy Market Authority since 2014 and stepped down in March 2020.
He currently sits on the boards of various private companies in financial services, oil & gas and resources businesses.

Mr Pek graduated from Nanyang Technological University with Honours in Bachelor of Accountancy in 1989. In addition, he completed the international business and global company operations management program of Harvard Business School and Stanford Graduate School of Business respectively.

FINANCIAL CONTENTS



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 2018 (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 2020 ("**FY2020**") 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.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

*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 half year 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.

The Board provides shareholders with balanced and comprehensible assessments of the Group's performance and prospects on a half year 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 third sustainability report for FY2020 can be found on the Company's Investor Relations webpage at the URL http://www.peceng.com/html/investor_report.php.

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 FY2020 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	4	4	4	4	1	1	1	1

Board approval

The Company has adopted internal guidelines setting forth matters that require the Board's approval. During the year, the Board has met to review and approve amongst other matters, the half year 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.

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.

Access to Information

To assist the Board in fulfilling its responsibilities, the Management provides the Board with documents containing complete, adequate and timely information prior to the Board meetings.

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.

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

The Board comprises seven (7) Directors, of whom two (2) are Executive Directors, four (4) are Non-Executive and Independent Directors, and one (1) is a Non-Executive and Non-Independent Director. The list of Directors is as follows:

<u>Executive Directors</u>

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

<u>Non-Executive Directors</u>

Dr Foo Fatt Kah	(Lead Independent Director)
David Wong Cheong Fook	(Independent Director)
Tan Whei Mien, Joy	(Independent Director)
Wong Peng	(Non-Independent Director)
Pek Hak Bin	(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 seven (7) Directors, of whom two (2) are Executive Directors, four (4) 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 four (4) Independent Directors (representing more than 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.

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.

Board Diversity

The Board, through the NC, from time to time and at least on a yearly basis, examines its structure, size and diversity to ensure that the Directors, as a group, provide the appropriate balance of mix of skills, knowledge and experience for effective decision making, taking into account the scope and nature of the operations of the Company and other relevant factors. Based on the particulars and background of each Director, a table consolidating all relevant information of the Directors (such as skills and knowledge supported by their qualification and experiences, gender and age) is discussed at the NC meeting and then shares with the entire Board.

Currently, the Board comprises Directors who have core competencies such as accounting or finance, business or management experience, legal, industry knowledge and strategic planning experience. The Board currently has Directors with ages ranging from early 50's to more than 65 who have served on the Board for different tenures, with the last member of the Board being an Independent and Non-Executive Director who was appointed in July 2020.

Hence, the NC is of the view that the current Board and Board Committees comprise persons, who, as a Group, provide capabilities required for the Board and Board Committees to be effective. The Board concurred with the NC's view and is of the opinion that its current composition provides an appropriate balance and diversity skills, experience, and knowledge of the Company, contributing to improve risk management and more robust decision making for strategic future of the Company. Through active participation during Board meetings, the Directors constructively and judiciously challenge the proposals and the assumptions of Management. Combined with the Executive Directors and the Management's extensive knowledge of the business of the Company, the current composition of the Board therefore allows the Company to remain nimble and responsive to business opportunities and to robustly evaluate the strategy and proposals for the Company in light of these business opportunities.

Key information on the Directors' particulars and background can be found on pages 12 to 13 of the Annual Report.

As required under the Code and based on the recommendation of the NC, the Board has approved the adoption of a board diversity policy (the "**Board Diversity Policy**") in 2020 which will take into account relevant measurable objectives such as skills, management experience, gender, age, ethnicity and other relevant factors in the composition of the Board. The NC will report to the Board on an annual basis on the progress made in achieving the objectives set out in the Board Diversity Policy.

The Non-Executive Directors are scheduled to meet regularly, and as warranted, in the absence of key management personnel to discuss concerns or matters, such as effectiveness of Management. The Chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

Chairman and Chief Executive Officer

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

The NC comprises entirely Non-Executive and Independent Directors:

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

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.

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 Wong Peng and Ms Tan Whei Mien, Joy will retire at the forthcoming annual general meeting ("**AGM**"). Mr Wong Peng and Ms Tan Whei Mien, Joy have submitted themselves for re-appointment at the forthcoming AGM. The NC is satisfied that Mr Wong Peng and Ms Tan Whei Mien, Joy 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.

Pursuant to Article 118 of the Company's Constitution, any person appointed shall hold office only until the next AGM and shall be eligible for re-election but shall not be taken into account in determining the number of directors who are to retire by rotation (Casual Vacancy). Mr Pek Hak Bin, who has joined the board on 1 July 2020, will be re-elected at the forthcoming AGM.

The Board has not appointed any alternate directors.

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	23 October 2019	None	None	None	Not Applicable.
Robert Dompeling	Group Chief Executive Officer	1 July 2007	25 October 2018	None	None	None	Not Applicable.
Wong Peng	Non-Executive and Non-Independent Director	23 December 1988	27 October 2017	None	None	None	Retirement by rotation (Article 114)
Dr Foo Fatt Kah	Lead Independent Director	25 June 2009	25 October 2018	Anchor Resources Limited, Ayondo Ltd., Variscan Mines Ltd	None	*Managing Director*, Luminor Capital Pte Ltd	Not Applicable.
David Wong Cheong Fook	Independent Director	8 January 2014	23 October 2019	None	None	*Chairman*, Republic Polytechnic	Not Applicable.
Tan Whei Mien, Joy	Independent Director	27 October 2017.	Nil	None	None	*Partner*, WongPartnership LLP *Director*, NTUC Income Co-operative Limited *Director*, Singapore Healthcare Services Pte Ltd	Retirement by rotation (Article 114)
Pek Hak Bin	Independent Director	01 July 2020	Nil	None	None	None	Retirement by rotation (Article 118)

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.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

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.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

The RC comprises entirely Non-Executive and Independent Directors:

Dr Foo Fatt Kah (Chairman)

David Wong Cheong Fook

Tan Whei Mien, Joy

Pek Hak Bin

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.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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 28,526,431 shares have been granted under the Plan. Details of the Plan are set out in the Directors' Statement on pages 30 to 33.

Disclosure on Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Regular and periodic reviews of compensation and their framework 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.

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 FY2020 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 %
S$300,000 to S$400,000						
Edna Ko Poh Thim	73	19	–	8	–	100
Robert Dompeling	75	19	1	5	–	100
Below S$100,000						
Wong Peng	–	–	100	–	–	100
Dr Foo Fatt Kah	–	–	100	–	–	100
David Wong Cheong Fook	–	–	100	–	–	100
Tan Whei Mien, Joy	–	–	100	–	–	100

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

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

Remuneration band and names of key management personnel (who are not also Directors or the Group CEO)	Base/fixed salary %	Variable or performance related income/bonus %	Benefits in Kind %	Conditional award of performance shares (1) %	Total %
S$200,000 to S$300,000					
Yeo Ker Soon	81	19	–	–	100
Tan Meng Sai	81	19	–	–	100
Tan Teck Seng	81	19	–	–	100
Toh Boon Chuan	81	19	–	–	100
Goh Eng Mui	81	19	–	–	100

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

The aggregate of total remuneration paid to or accrued to the top five key management personnel (who are not Directors or the Group CEO) was $1,172,100 for FY2020.

There are no employees who are substantial shareholders of the Group or who are immediate family members of a Director, Group CEO or a substantial shareholder of the Group and whose remuneration exceeds S$100,000 during FY2020.

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

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

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.

The Board and the ARMC have received written assurance from the Executive Chairman, the Director Finance and other key management personnel that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2020 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 2020.

Financial risks relating to the Group are set out in Note 38 to the financial statements of this Annual Report on pages 97 to 103.

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.

Audit and Risk Management Committee

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The ARMC comprises entirely Non-Executive and Independent Directors:

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

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

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

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

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

For the year under review, the ARMC held four (4) meetings to discuss and review the following matters in accordance with its TORs, amongst others:

- the audit plans, scope and results of the external audit;
- 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 audits performed;
- the adequacy of the assistance and co-operation given by the Company's Management to the external and internal auditors;
- the arrangements by 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.

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 FY2020 are disclosed under Note 7 on page 67 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.

(D) COMMUNICATION WITH SHAREHOLDERS

Shareholder Rights

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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

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

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

Communication with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Half year and full year 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 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

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.

The Company understands the importance of maintaining regular engagement with its stakeholders and its stakeholders engagement approach is set out in its Sustainability 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 half year and full-year results. They are also discouraged from dealing in the Company's shares on short term considerations.

The Board confirms that for FY2020, 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 FY2020 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	291	–
Wong Peng	155	–

(G) MATERIAL CONTRACTS

Except as disclosed in Note 35 (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.

The directors hereby 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 2020.

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 2020 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
Pek Hak Bin

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' 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	35,105,844	35,505,844	85,750,000	85,750,000
Robert Dompeling	1,325,844	1,725,844	–	–
Wong Peng	4,594,056	4,594,056	–	–
David Wong Cheong Fook	20,000	50,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2020.

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

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

PEC PERFORMANCE SHARE PLAN (THE "PLAN")

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

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

Principal Terms of the Plan

Eligibility

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

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

(b) Executive Directors,

provided always that any of the aforesaid persons:

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

(ii) are not undischarged bankrupts.

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

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.

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

Principal Terms of the Plan (cont'd)

Duration of the Plan

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

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

As at 30 June 2020, the aggregate number of shares comprised in Awards granted pursuant to the Plan which have not been released amounted up to 24,889,805 (2019: 19,717,391) shares as stated below:

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

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 other employees of the Company	1 December 2016	Up to 4,958,025	Forfeited
For directors of the Company:			
Edna Ko Poh Thim	1 December 2017	Up to 154,222	Forfeited
Robert Dompeling	1 December 2017	Up to 154,222	Forfeited
For the other employees of the Company	1 December 2017	Up to 4,569,604	Forfeited
For directors of the Company:			
Edna Ko Poh Thim	3 December 2018	Up to 174,604	Forfeited
Robert Dompeling	3 December 2018	Up to 174,604	Forfeited
For the other employees of the Company	3 December 2018	Up to 4,778,997	Forfeited
For directors of the Company:			
Edna Ko Poh Thim	2 December 2019	Up to 168,152	Forfeited
Robert Dompeling	2 December 2019	Up to 168,152	Forfeited
For the other employees of the Company	2 December 2019	Up to 4,836,110	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 November 2020

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 2020, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 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.

Accounting for contract revenue

Contract revenue comprises the initial amount of revenue agreed in the contracts and variation orders. The Group recognises certain contract revenue over time, based on the contract costs incurred to date as a proportion of the estimated total contract costs to be incurred ("cost-based input method"). For such contract revenue, a contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advance payments from the customer. During the year, the Group recognised $274,657,810 of revenue from project works and as at year end, the Group has $34,923,850 of contract assets and $66,640,473 of contract liabilities. Significant management assumptions are required in estimating the total contract costs and the recoverable amount of variation works that affect the completion progress and the amount of revenue and profit recognised. The subjectivity involved in these assessments means that any changes in the assumptions used could have a significant impact on the results of the Group. In addition, COVID-19 pandemic has increased the performance risk of fulfilling these contracts, primarily from the restrictions of movement ("circuit breaker") imposed by the Singapore Government with effect from April 2020. As such, we determined this to be a key audit matter.

Key audit matters (cont'd)

Accounting for contract revenue (cont'd)

As part of our audit, we, amongst other procedures:

- Obtained an understanding of internal controls with respect to project management, project results estimation process and accounting for project contract.
- Discussed the status of projects in progress with the management and project managers as well as the impact of the one-off costs incurred during the circuit breaker period on the projects. With the knowledge gained from those discussions and the results of our audit procedures, we assessed the reasonability of the forecasted results of the projects, including the effect of variation orders.
- Assessed the mathematical accuracy of the revenue and profit using the cost-based input method.
- Evaluated assumptions used by management in determining completion progress of the projects, estimations to revenue and costs, and provisions for projects with expected losses and liquidated damages, where applicable.
- Obtained an understanding of the progress of the construction contracts by reviewing correspondences between the Group and the customers.
- Evaluated the presentation and disclosure of significant accounting policies for construction contracts, contract assets, contract liabilities and their related disclosures in Note 2.13 and Note 4.

Impairment of trade receivables

The gross balance of the Group's trade receivables as at 30 June 2020 is $158,875,096, against which an allowance for expected credit loss ("ECL") of $17,751,354 was made. The collectability of trade receivables and related credit losses are key elements of the Group's working capital management, which is managed on an ongoing basis by local management of the respective subsidiaries.

The Group determines ECL and impairment of trade receivables by making debtor-specific assessment of expected impairment loss for long overdue trade receivables and using a provision matrix for the remaining trade receivables that is based on its historical credit loss experience. In addition, management has also considered forward-looking adjustments to the historical default rate to take into consideration the COVID-19 pandemic. As disclosed in Note 3 to the financial statements, these assessments involved significant management judgement and estimates and accordingly, we determined that this is a key audit matter.

As part of our audit, we, amongst others:

- Obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables including the enhanced controls arising from the COVID-19 pandemic and review of credit risks of customers.
- Discussed with management on their assessment of the collectability of trade receivables, the impact of COVID-19 pandemic on customers' ability to repay their debts and possible recovery scenarios. Where applicable, reviewed customers' payment history and correspondences between the Group and the customers on expected settlement dates.
- Evaluated management's assumptions and inputs used in the computation of historical credit loss rates. We reviewed the data and information used by management to make forward-looking adjustments and loss given default rates taking into consideration the economic situation and external information including the potential impact of the COVID-19 pandemic. For default rates, we have compared to comparable companies to determine its reasonableness.
- Assessed management's assumptions used to determine expected credit loss for long overdue trade receivables through testing of the accuracy of ageing of the trade receivables and using aging analyses and consideration their specific profiles and risks.
- Assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk in Note 17 and Note 38.

Key audit matters (cont'd)

Assessment of indicator of impairment on property, plant and equipment and right-of-use assets

As at 30 June 2020, the Group's property, plant and equipment and right-of-use assets balance amounted to $113,186,707, representing 89% of the total non-current assets of the Group. The carrying amount of the property, plant and equipment and right-of-use assets are reviewed annually by management to assess whether there are indicators of impairment. In assessing whether there is any indicator of impairment, management has to assess both external and internal sources of information as well as consideration of the business impact from the COVID-19 pandemic. Based on management's assessment, other than $38,272 of site equipment which were assessed to be obsolete, there are no indicator of impairment of the Group's property, plant and equipment and right-of-use assets. As a result of the heightened level of estimation uncertainty associated with the current market and economic condition and the involvement of significant judgement in management's assessment, we determined that this is a key audit matter.

As part of our audit, we, amongst others:

- Evaluated the Group's policies and procedures to identify events indicating potential impairment of assets.
- Reviewed management's assessment of indicators of impairment to the CGUs' assets, taking into consideration our knowledge of the CGU's operations, performance and industry benchmarks as well as conditions brought about by the COVID-19 pandemic. In assessing the indicators of impairment, management has considered both internal and external factors, including the physical condition of the assets, significant changes in which the assets are expected to be used, changes in market interest rates and assessed if there are any significant decline in the assets' value based on observable indicators.
- Reviewed the one-off costs incurred during the circuit breaker period arising from COVID-19 pandemic to assess the profitability of the ongoing projects and how such costs affect management's assessment.
- Considered circumstances as to whether any current year additions or prevailing events would give rise to indicators of impairment of existing aged assets.
- Assessed the adequacy of the disclosures related to property, plant and equipment and right-of-use assets in Note 9 and Note 10 to the financial statements respectively.

Impairment assessment of investment in subsidiaries

As at 30 June 2020, the Company has investment in subsidiaries with a carrying amount of $55,969,806. The carrying amount of the investment in subsidiaries are reviewed annually by management to assess whether there are indicators of impairment and if there are such indicators, an assessment is made to determine the recoverable amount of the cash generating unit concerned. Certain subsidiaries incurred operating losses during the financial year and accordingly, management identified indicators of impairment for the investment in these subsidiaries. Management has assessed the recoverable amount of the investment in these subsidiaries by computing the value in use using a discounted cash flow projection method. Significant management judgements are required in estimating the various inputs and assumptions such as revenue growth rates, operating margins and discount rate. Accordingly, we have determined that impairment assessment of investment in subsidiaries to be a key audit matter.

As part of our audit, we, amongst others:

- Reviewed management's assessment of indicators of impairment to the investment in subsidiaries, and the methodology used by management to estimate value in use.
- Evaluated management's forecasted future cash flows of the subsidiaries by comparing forecasted future cash flows of the subsidiaries with historical results, relevant industry information and latest available information.
- Performed variance and sensitivity analyses on key assumptions such as revenue growth rates, operating margins and discount rate.
- Assessed the discount rate by making reference to external observable data. We involved our internal valuation specialists to assist us in evaluating the reasonableness of the discount rate used by management.
- Assessed the adequacy of the disclosures related to investment in subsidiaries in Note 14 to the financial statements.

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

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

- 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.

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

- 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 November 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

	Note	2020 $	2019 $
Revenue	4	495,067,368	392,723,560
Cost of sales		(410,628,546)	(305,729,057)
Gross profit		84,438,822	86,994,503
Other operating income	5	8,433,296	3,506,269
Write-back of impairment losses on financial assets	7	–	478,702
Other items of expenses			
Administrative expenses		(28,550,923)	(27,886,711)
Impairment losses on financial assets and contract assets	7	(16,355,787)	–
Other operating expenses		(55,410,432)	(49,945,256)
Finance expenses	6	(1,181,220)	(376,853)
Share of results of associate		635,137	158,622
(Loss)/profit before tax	7	(7,991,107)	12,929,276
Income tax expense	8	(5,202,548)	(3,122,712)
(Loss)/profit for the year		(13,193,655)	9,806,564
(Loss)/profit for the year attributable to:			
Owners of the Company		(12,759,798)	8,280,944
Non-controlling interests		(433,857)	1,525,620
		(13,193,655)	9,806,564
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Net fair value losses on equity instrument at fair value through other comprehensive income		(52)	(2,643)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		2,105,000	(1,944,644)
Other comprehensive income for the year, net of tax		2,104,948	(1,947,287)
Total comprehensive income for the year		(11,088,707)	7,859,277
Total comprehensive income for the year attributable to:			
Owners of the Company		(10,804,160)	6,652,595
Non-controlling interests		(284,547)	1,206,682
		(11,088,707)	7,859,277
(Loss)/earnings per share (cents per share)			
Basic and diluted	33	(5.0)	3.2

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

BALANCE SHEETS

As at 30 June 2020

	Note	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Non-current assets					
Property, plant and equipment	9	91,697,611	84,636,598	42,028,523	36,510,648
Right-of-use assets	10	21,489,096	–	16,257,388	–
Investment properties	11	5,781,872	5,943,450	–	–
Intangible assets	12	64,383	1,645,035	64,383	83,083
Land use rights	13	–	592,885	–	–
Investment in subsidiaries	14	–	–	55,969,806	54,093,383
Investment in an associate	15	5,449,527	4,944,730	354,320	354,320
Investment securities	16	1,466	3,678	1,466	3,678
Prepayments		1,426,849	1,077,718	–	–
Trade receivables	17	43,615	1,013,989	–	–
Deferred tax assets	26	965,080	2,290,888	965,080	282,080
		126,919,499	102,148,971	115,640,966	91,327,192
Current assets					
Contract assets	4	34,923,850	83,115,933	19,740,159	62,864,962
Inventories	18	443,284	321,387	–	–
Prepayments		2,244,209	3,437,550	824,216	1,102,469
Capitalised contract costs	4	20,495,533	35,139,875	–	700,245
Trade receivables	17	141,080,127	111,191,801	30,401,737	63,578,605
Other receivables and deposits	19	10,011,288	5,737,243	13,133,758	7,806,664
Loans due from subsidiaries	20	–	–	4,405,672	5,535,650
Cash and short-term deposits	21	100,068,986	94,244,832	50,840,380	36,565,259
		309,267,277	333,188,621	119,345,922	178,153,854
Total assets		436,186,776	435,337,592	234,986,888	269,481,046
Current liabilities					
Contract liabilities	4	66,640,473	57,797,441	4,376,556	11,650,000
Provisions	22	6,886,867	3,950,009	3,888,668	2,535,710
Income tax payable		1,468,958	1,603,638	264,699	1,087,111
Loans and borrowings	23	14,384,712	12,180,984	10,000,000	10,000,000
Trade payables	24	26,293,655	27,439,286	12,484,924	30,338,885
Other payables and accruals	25	75,353,298	82,866,111	27,022,517	35,561,249
Lease liabilities	10	1,897,304	–	1,246,925	–
		192,925,267	185,837,469	59,284,289	91,172,955
Net current assets		116,342,010	147,351,152	60,061,633	86,980,899

BALANCE SHEETS

As at 30 June 2020

	Note	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Non-current liabilities					
Provisions	22	2,774,130	1,238,226	2,634,355	1,238,226
Deferred tax liabilities	26	517,925	524,942	–	–
Loans and borrowings	23	4,633,603	6,770,307	–	–
Lease liabilities	10	18,994,457	–	15,209,451	–
		26,920,115	8,533,475	17,843,806	1,238,226
Total liabilities		219,845,382	194,370,944	77,128,095	92,411,181
Net assets		216,341,394	240,966,648	157,858,793	177,069,865
Equity attributable to owners of the Company					
Share capital	27	58,835,589	58,835,589	58,835,589	58,835,589
Treasury shares	27	(575,953)	(444,576)	(575,953)	(444,576)
Statutory reserve	28	2,481,085	2,481,085	–	–
Retained earnings		156,152,503	174,012,196	99,612,824	118,692,824
Fair value reserve	29	(13,434)	(13,972)	(13,434)	(13,972)
Premium paid on acquisition of non-controlling interests	30	(4,841,041)	(2,188,914)	–	–
Foreign currency translation reserve	31	750,409	(1,205,281)	(233)	–
		212,789,158	231,476,127	157,858,793	177,069,865
Non-controlling interests		3,552,236	9,490,521	–	–
Total equity		216,341,394	240,966,648	157,858,793	177,069,865
Total equity and liabilities		436,186,776	435,337,592	234,986,888	269,481,046

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 2020

	Note	Share capital $	Treasury shares $	Statutory reserve $	Retained earnings $	Fair value 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 $
		Attributable to owners of the Company									
Group											
At 1 July 2019		58,835,589	(444,576)	2,481,085	174,012,196	(13,972)	(2,188,914)	(1,205,281)	231,476,127	9,490,521	240,966,648
Loss for the year		–	–	–	(12,759,798)	–	–	–	(12,759,798)	(433,857)	(13,193,655)
Other comprehensive income											
Net fair value losses on equity instruments at FVOCI		–	–	–	–	(52)	–	–	(52)	–	(52)
Foreign currency translation		–	–	–	–	–	–	1,955,690	1,955,690	149,310	2,105,000
Other comprehensive income for the year, net of tax		–	–	–	–	(52)	–	1,955,690	1,955,638	149,310	2,104,948
Total comprehensive income for the year		–	–	–	(12,759,798)	(52)	–	1,955,690	(10,804,160)	(284,547)	(11,088,707)
Contributions by and distributions to owners											
Dividends on ordinary shares	32	–	–	–	(5,099,305)	–	–	–	(5,099,305)	–	(5,099,305)
Dividends paid to NCI by subsidiaries		–	–	–	–	–	–	–	–	(890,709)	(890,709)
Share buyback	27	–	(131,377)	–	–	–	–	–	(131,377)	–	(131,377)
Total transactions with owners in their capacity as owners		–	(131,377)	–	(5,099,305)	–	–	–	(5,230,682)	(890,709)	(6,121,391)
Changes in ownership interests in subsidiaries											
Acquisition of non-controlling interest		–	–	–	–	–	(2,652,127)	–	(2,652,127)	(4,763,029)	(7,415,156)
Others											
Transfer of loss on disposal of equity instruments at FVOCI	16	–	–	–	(590)	590	–	–	–	–	–
At 30 June 2020		58,835,589	(575,953)	2,481,085	156,152,503	(13,434)	(4,841,041)	750,409	212,789,158	3,552,236	216,341,394

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

		Attributable to owners of the Company										
	Note	Share capital $	Treasury shares $	Statutory reserve $	Retained earnings $	Fair value reserve $	Share-based compensation reserve $	Premium paid on acquisition of non-controlling interests $	Foreign currency translation reserve $	Equity attributable to owners of the Company, total $	Non-controlling interests $	Equity, total $
Group												
At 1 July 2018		58,835,589	(119,840)	2,481,085	171,239,475	(11,329)	121,790	(2,188,914)	420,425	230,778,281	8,913,921	239,692,202
Profit for the year		–	–	–	8,280,944	–	–	–	–	8,280,944	1,525,620	9,806,564
Other comprehensive income												
Net fair value losses on equity instruments at FVOCI		–	–	–	–	(2,643)	–	–	–	(2,643)	–	(2,643)
Foreign currency translation		–	–	–	–	–	–	–	(1,625,706)	(1,625,706)	(318,938)	(1,944,644)
Other comprehensive income for the year, net of tax		–	–	–	–	(2,643)	–	–	(1,625,706)	(1,628,349)	(318,938)	(1,947,287)
Total comprehensive income for the year		–	–	–	8,280,944	(2,643)	–	–	(1,625,706)	6,652,595	1,206,682	7,859,277
Contributions by and distributions to owners												
Dividends on ordinary shares	32	–	–	–	(5,093,935)	–	–	–	–	(5,093,935)	–	(5,093,935)
Dividends paid to NCI by subsidiaries		–	–	–	–	–	–	–	–	–	(630,082)	(630,082)
Treasury shares reissued pursuant to performance share plan		–	622,127	–	(414,288)	–	(207,839)	–	–	–	–	–
Grant of performance shares to employees	34	–	–	–	–	–	86,049	–	–	86,049	–	86,049
Share buyback	27	–	(946,863)	–	–	–	–	–	–	(946,863)	–	(946,863)
Total transactions with owners in their capacity as owners		–	(324,736)	–	(5,508,223)	–	(121,790)	–	–	(5,954,749)	(630,082)	(6,584,831)
At 30 June 2019		58,835,589	(444,576)	2,481,085	174,012,196	(13,972)	–	(2,188,914)	(1,205,281)	231,476,127	9,490,521	240,966,648

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 2020

	Note	2020 $	2019 $
Operating activities:			
(Loss)/profit before tax		(7,991,107)	12,929,276
Adjustments for:			
Interest income	5	(1,098,939)	(932,135)
(Gain)/loss on disposal of property, plant and equipment, net	5, 7	(362,387)	26,351
Gain on disposal of investment property	5	–	(183,016)
Gain on disposal of intangible assets, net	5	–	(142,418)
Interest expense	6	1,181,220	376,853
Amortisation of land use rights	7	–	23,875
Amortisation of intangible assets	7	18,700	74,133
Amortisation of capitalised contract costs	4	16,080,296	414,663
Depreciation of property, plant and equipment	7	12,406,926	11,922,116
Depreciation of right-of-use assets	7	2,607,764	–
Depreciation of investment properties	7	155,088	158,535
Impairment losses/(write-back of impairment losses) on financial assets and contract assets	7	16,355,787	(478,702)
Impairment losses/(write-back of impairment losses) on property, plant and equipment	7, 5	38,272	(530,051)
Impairment losses on intangible assets	7	1,561,952	–
Provisions, net		2,916,914	(2,073,392)
Share of results of associate		(635,137)	(158,622)
Share-based compensation expense	7	–	86,049
Unrealised exchange differences		(228,367)	895,223
Operating cash flows before changes in working capital		43,006,982	22,408,738
Decrease/(increase) in contract assets		46,597,437	(23,010,906)
Increase in contract liabilities		8,843,032	56,491,982
Increase in capitalised contract costs		(1,402,655)	(35,569,146)
(Increase)/decrease in inventories		(121,711)	47,458
Increase in trade receivables, other receivables and deposits, and prepayments		(47,455,879)	(18,462,853)
(Decrease)/increase in trade payables, other payables and accruals		(9,075,686)	22,401,379
Cash flows generated from operations		40,391,520	24,306,652
Interest paid		(1,110,642)	(376,853)
Interest received		1,098,939	932,135
Tax paid		(4,030,076)	(2,585,814)
Net cash flows generated from operating activities		36,349,741	22,276,120

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 June 2020

	Note	2020 $	2019 $
Investing activities:			
Purchase of property, plant and equipment	9	(18,087,223)	(19,475,411)
Acquisition of intangible assets	12	–	(78,500)
Dividend income from an associate	15	130,340	245,000
Proceeds from disposal of property, plant and equipment		945,945	397,101
Proceeds from disposal of investment property		–	931,000
Proceeds from disposal of investment securities	16	2,160	–
Proceeds from disposal of intangible assets		–	158,997
Proceeds from liquidated subsidiary upon completion	14	186,903	–
Net cash flows used in investing activities		(16,821,875)	(17,821,813)
Financing activities:			
Purchase of treasury shares	27	(131,377)	(946,863)
Dividends paid on ordinary shares	32	(5,099,305)	(5,093,935)
Dividends paid to non-controlling interest		(890,709)	–
Net cash outflow on acquisition of non-controlling interest		(7,415,156)	–
Proceeds from loans and borrowings, net	23	1,149,111	9,431,710
Payment of principal portion of lease liabilities	10	(2,251,342)	–
Leases paid at lease commencement	10	(20,775)	–
Changes in bank deposits pledged		14,768	(14,768)
Net cash flows (used in)/generated from financing activities		(14,644,785)	3,376,144
Net increase in cash and cash equivalents		4,883,081	7,830,451
Effect of exchange rate changes on cash and cash equivalents		1,815,914	(1,193,853)
Cash and cash equivalents at 1 July		93,369,991	86,733,393
Cash and cash equivalents at 30 June	21	100,068,986	93,369,991

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

1. CORPORATE INFORMATION

PEC Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

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 14.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

The financial statements are presented in Singapore Dollars (SGD or $), and have been prepared on a historical cost basis, except as disclosed in the accounting policies below.

2.2 Adoption of new and revised standards

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards that are effective for annual financial periods beginning on or after 1 July 2019. Except for the impact arising from the adoption of SFRS(I) 16 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

SFRS(I) 16 *Leases*

SFRS(I) 16 supersedes SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases-Incentives* and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet. Lessor accounting under SFRS(I) 16 is substantially unchanged from SFRS(I) 1-17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in SFRS(I) 1-17. Therefore, SFRS(I) 16 did not have an impact for leases where the Group is the lessor.

The Group adopted SFRS(I) 16 using the modified retrospective method of adoption with the date of initial application of 1 July 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 July 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying SFRS(I) 1-17 and SFRS(I) INT 4 at the date of initial application.

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

2.2 Adoption of new and revised standards (cont'd)

SFRS(I) 16 *Leases* (cont'd)

The effect of adopting SFRS(I) 16 as at 1 July 2019 was as follows:

	Group Increase/ (decrease) $	Company Increase/ (decrease) $
Assets		
Right-of-use assets	14,298,451	8,816,197
Land use rights	(592,885)	–
Property, plant and equipment	(410,105)	–
Prepayments	(175,695)	–
Total assets	13,119,766	8,816,197
Liabilities		
Lease liabilities	13,370,312	8,816,197
Loans and borrowings	(250,546)	–
Total liabilities	13,119,766	8,816,197

The Group has lease contracts for leasehold land, offices and dormitories, motor vehicles and office equipment. Before the adoption of SFRS(I) 16, the Group classified its leases (as lessee) at the inception date as either a finance lease or an operating lease. Refer to Note 2.21 for the accounting policy prior to 1 July 2019.

Upon adoption of SFRS(I) 16, the Group applied a single recognition and measurement approach for all leases except for short-term leases. Refer to Note 2.21 for the accounting policy beginning on and after 1 July 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Leases previously classified as finance leases

The Group did not change the initial carrying amounts of recognised assets and liabilities at the date of initial application for leases previously classified as finance leases (i.e., the right-of-use assets and lease liabilities equal the lease assets and liabilities recognised under SFRS(I) 1-17). The requirements of SFRS(I) 16 were applied to these leases from 1 July 2019 and accordingly, property, plant and equipment which amounted to $410,105 were reclassified to right-of-use assets on 1 July 2019.

Leases previously classified as prepayments and land use rights

Land use rights and prepaid leases which amounted to $592,885 and $175,695 were reclassified to right-of-use assets in accordance to SFRS(I) 16 on 1 July 2019.

Leases previously accounted for as operating leases

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

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

2.2 Adoption of new and revised standards (cont'd)

SFRS(I) 16 *Leases* (cont'd)

Leases previously accounted for as operating leases (cont'd)

The Group also applied the available practical expedients wherein it:

- Used a single discount rate to a portfolio of leases with reasonably similar characteristics
- Relied on its assessment of whether leases are onerous immediately before the date of initial application
- Applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application
- Used hindsight in determining the lease term where the contract contained options to extend or terminate the lease

Based on the above, as at 1 July 2019:

- Right-of-use assets of $14,298,451 were recognised and presented separately in the statement of financial position. This includes the lease assets recognised previously under finance leases of $410,105 that were reclassified from property, plant and equipment, $592,885 that were reclassified from land use rights and $175,695 that were reclassified from prepayments.
- Additional lease liabilities of $13,370,312 were recognised. This includes finance lease obligations of $250,546 that were reclassified from loans and borrowings.

The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as of 30 June 2019 as follows:

	Group $
Operating lease commitments as at 30 June 2019	10,079,297
Weighted average incremental borrowing rate as at 1 July 2019	3.58%
Discounted operating lease commitments as at 1 July 2019	7,970,444
Less:	
Commitments relating to short-term leases	(126,380)
Add:	
Commitments relating to leases previously classified as finance leases	250,546
Lease payments relating to renewal periods not included in operating lease commitments as of 30 June 2019	5,275,702
Lease liabilities as at 1 July 2019	13,370,312

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

2.3 Standards issued but not yet effective

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

Description	**Effective for annual periods beginning on or after**
Amendments to References to the Conceptual Framework in SFRS(I) Standards	1 January 2020
Amendments to SFRS(I) 3 *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material*	1 January 2020
Amendments to SFRS(I) 16 *COVID-19 related rent concessions*	1 June 2020
Amendments to SFRS(I) 3 *Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-current*	1 January 2023

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

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.

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.

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:

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

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

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

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

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

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 36 to 80 years.

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

2.9 Intangible assets

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

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

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

(i) Club membership

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

(ii) Licence

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

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

Goodwill

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

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

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

2.10 *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.

2.11 *Associate*

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

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

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

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

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

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 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.

2.13 Contract revenue

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

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

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

The contract assets relate to unbilled work-in-progress and have substantially the same characteristics as the trade receivables for the same type of contracts. The impairment policy as explained in Note 2.16 also applies to contract assets.

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

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

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

2.14 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.

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

Amortised cost

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

Investments in equity instruments

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

De-recognition

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

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

2.15 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.16 Impairment of financial assets

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

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

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

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

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

2.17 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.

2.18 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.

Provision for onerous contracts

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

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

Provision for reinstatement costs

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

2.19 Borrowing costs

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

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

2.20 *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.

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

2.21 Leases

These accounting policies are applied on and after the initial application date of SFRS(I) 16, 1 July 2019:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

(a) *Right-of-use assets*

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

Leasehold land	–	2 to 36 years
Land use rights	–	33 to 62 years
Offices and dormitories	–	1 to 11 years
Motor vehicles and others	–	1 to 10 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.12.

(b) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

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

2.21 Leases (cont'd)

As lessee (cont'd)

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of office and storage space (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain an option to extend). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. Initial direct costs incurred in negotiating and arranging 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. Contingent rents are recognised as revenue in the period in which they are earned.

These accounting policies are applied before the initial application date of SFRS(I) 16, 1 July 2019:

As lessee

Finance leases which transfer to the Company substantially all the risks and rewards incidental to ownership of the leased item, are capitalized 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 capitalized. 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 Company 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.

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.

2.22 Revenue

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

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

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

2.22 Revenue (cont'd)

(a) Project works

Contract revenue from project works consist of revenue recognised by reference to the stage of completion of the contract activity at the end of the reporting period as the performance obligations are satisfied over time. The accounting policy for contract revenue is set out in Note 2.13.

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

(b) Plant maintenance and other services

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

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

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

(c) Rental income

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

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

2.23 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.

2.24 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.

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

2.24 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.

(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.

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

2.26 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.

2.27 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.

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.

Impairment assessment of property, plant and equipment and right-of-use assets

The carrying amounts of the Group's property, plant and equipment and right-of-use assets as at 30 June 2020 are $91,697,611 (2019: $84,636,598) and $21,489,096 (2019: $Nil) respectively.

The carrying amount of the property, plant and equipment and right-of-use assets are reviewed annually by management to assess whether there are indicators of impairment. In assessing whether there is any indicator of impairment, management has assessed both external and internal sources of information as well as consideration of the business impact from the COVID-19 pandemic. Based on management's assessment, other than $38,272 (2019: $Nil) of site equipment which was assessed to be obsolete, there was no indicator of impairment of the Group's property, plant and equipment and right-of-use assets.

3. KEY ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGMENTS (CONT'D)

3.2 Key sources of estimation uncertainty

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

Recognition of contract revenue

Contract revenue comprises the initial amount of revenue agreed in the contracts, including variation orders. The Group recognises certain contract revenue over time, based on the contract costs incurred to date as a proportion of the estimated total contract costs to be incurred. Significant assumptions are required in determining the total contract costs and the recoverable amount of variation works that affect the completion progress and the amount of revenue recognised. In making these estimates, management has relied on past experience and knowledge of the project managers. The carrying amounts of contract assets and contract liabilities arising from contract revenue at the end of each reporting period are disclosed in Note 4.

If the estimated total contract cost of major projects had been 10% higher/lower than management's estimate, the revenue recognised for project works for the current financial year would have been approximately $23,800,000 (2019: $4,100,000) lower and $16,700,000 (2019: $6,200,000) higher respectively.

Provision for expected credit losses on trade receivables

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

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

If the estimated ECL rate had been 1% higher than management's estimate, ECL on trade receivables would have been approximately $1,015,000 (2019: $1,142,000) higher.

Impairment assessment of investment in subsidiaries

Investment in subsidiaries is tested for impairment whenever there is objective evidence or indication that these assets may be impaired. Judgement is required to determine if any such indication exists. Based on the evaluation of both internal and external sources of information, if any such indication exists, management assess the recoverable amount of the investment in subsidiaries.

Plant General Services Pte Ltd ("PGS")

Management has prepared a discounted cash flow model to determine the recoverable amount of the investment in PGS using the value in use model. The recoverable amount is determined based on a number of significant operational and predictive assumptions such as forecasted revenue, profit margin and discount rate. Based on the discounted cash flow model, an impairment loss of $6,750,000 was recognised to write down the carrying value of PGS. The estimated recoverable amount of PGS approximates its carrying amount and consequently, any changes in key assumptions would result in a further impairment loss.

4. REVENUE

(a) Disaggregation of revenue

Segments

Group	Project works 2020	Project works 2019	Plant maintenance and related services 2020	Plant maintenance and related services 2019	Other operations 2020	Other operations 2019	Total revenue 2020	Total revenue 2019
	$	$	$	$	$	$	$	$
Primary geographical markets								
Singapore	107,031,825	124,322,165	127,558,285	174,870,658	314,481	336,174	234,904,591	299,528,997
United Arab Emirates	90,275,345	2,407,654	12,248,308	16,305,164	–	–	102,523,653	18,712,818
Malaysia	67,425,368	12,274,977	220,827	74,898	118,480	159,971	67,764,675	12,509,846
Others	9,925,272	7,255,202	79,949,177	54,715,981	–	716	89,874,449	61,971,899
	274,657,810	146,259,998	219,976,597	245,966,701	432,961	496,861	495,067,368	392,723,560
Timing of transfer of goods and services								
At a point in time	18,049,935	38,059,066	207,728,289	227,739,001	432,961	496,861	226,211,185	266,294,928
Over time	256,607,875	108,200,932	12,248,308	18,227,700	–	–	268,856,183	126,428,632
	274,657,810	146,259,998	219,976,597	245,966,701	432,961	496,861	495,067,368	392,723,560

(b) Contract balances

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

	Group 2020	Group 2019	Group 1 July 2018
	$	$	$
Receivables from contracts with customers (Note 17)	141,123,742	112,205,790	94,376,671
Contract assets	34,923,850	83,115,933	60,127,593
Capitalised contract costs	20,495,533	35,139,875	–
Contract liabilities	66,640,473	57,797,441	1,305,459

The Group has recognised impairment losses on receivables arising from contracts with customers and contract assets amounting to $15,885,313 (2019: $426,566) and $470,474 (2019: $Nil) respectively.

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

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

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

	Group 2020	Group 2019
	$	$
Contract assets reclassified to receivables	80,645,459	60,127,593

4. REVENUE (CONT'D)

(b) Contract balances (cont'd)

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

	Group 2020 $	Group 2019 $
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	57,797,441	1,305,459

(iii) Capitalised contract costs

	Group 2020 $	Group 2019 $
At beginning of the financial year	35,139,875	–
Additions	1,402,656	35,569,146
Amortisation	(16,080,296)	(414,663)
Currency realignment	33,298	(14,608)
At the end of the financial year	20,495,533	35,139,875

Included in the capitalised contract cost is $1,425,036 (2019: $1,504,433) relating to fulfilment costs for construction projects as at year end.

5. OTHER OPERATING INCOME

	Group 2020 $	Group 2019 $
Gain on disposal of investment property	–	183,016
Gain on disposal of property, plant and equipment, net	362,387	–
Gain on disposal of intangible assets, net	–	142,418
Insurance claims	354,738	301,702
Income from sale of scrap material	269,039	301,840
Income from government subsidies	4,606,503	318,991
Interest income on debt instruments at amortised cost	1,098,939	932,135
Rental income from investment property (commercial)	255,312	266,878
Training income	128,595	160,886
Write-back of impairment losses on property, plant and equipment	–	530,051
Exchange gain, net	1,048,281	–
Sundry income	309,502	368,352
	8,433,296	3,506,269

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

During the year, the Group received several government grants as part of the COVID-19 Government Relief Measures. These grants include property tax rebate and Jobs Support Scheme ("JSS"). The Group has recognised these government grants as grant income. In relation to the JSS grant, the stated purpose of the grant is to provide ten months of wage support to entities to retain local employees during this period of economic uncertainty. Management has determined that the period of economic uncertainty commenced in April 2020 with the implementation of circuit breaker and accordingly, the JSS is recognised on a systematic basis over the ten months period from April 2020 to January 2021.

In August 2020, in the Ministerial Statement on Continued Support for Workers and Jobs, the Government has further announced the extension of the JSS for an additional seven months up to August 2021.

6. FINANCE EXPENSES

	Note	Group 2020 $	Group 2019 $
Interest expense on:			
– Accretion of interest on reinstatement cost		70,578	–
– Bank loans carried at amortised cost		545,880	365,423
– Lease liabilities	10(b)	564,762	–
– Obligations under finance leases		–	11,430
		1,181,220	376,853

7. (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax:

	Note	Group 2020 $	Group 2019 $
Audit fees:			
– Auditors of the Company		204,007	303,146
– Other auditors		76,392	126,197
Non-audit fees:			
– Auditors of the Company		44,301	58,781
Employee benefits expenses (including directors' remuneration):			
– Wages, salaries and bonuses		151,005,934	146,080,875
– Defined contribution expense		5,585,115	4,759,966
– Share-based compensation expense		–	86,049
– Other short-term employee benefits		14,903,981	12,997,682
Impairment losses/(write-back of impairment losses) on:			
– Trade receivables	17	15,885,313	(478,702)
– Contract assets		470,474	–
		16,355,787	(478,702)
Other operating expenses:			
– Loss on disposal of property, plant and equipment		–	26,351
– Cash written off *		1,576,918	–
– Depreciation of property, plant and equipment	9	12,406,926	11,922,116
– Depreciation of right-of-use assets	10	2,607,764	–
– Depreciation of investment properties	11	155,088	158,535
– Amortisation of intangible assets	12	18,700	74,133
– Amortisation of land use rights	13	–	23,875
– Impairment losses on property, plant and equipment	9	38,272	–
– Impairment losses on intangible assets	12	1,561,952	–
– Operating lease expense on leasehold land and properties	36(a)	–	2,267,568
– Operating lease expense on dormitories	36(a)	–	10,608,255
– Operating lease expense on office equipment	36(a)	–	120,947
– Operating lease expense on machineries and equipment	36(a)	–	10,410,973
– Expenses relating to short-term leases		28,243,653	–
– Exchange loss, net		–	734,455
– Insurance		3,302,424	2,738,324
– Maintenance, upkeep and repair of plant and equipment		3,799,895	3,652,455
– Transport expenses		2,458,127	2,547,652
– Personal protective equipment		2,913,665	2,894,831

* Relates to misappropriation of monies that occured in a China Subsidiary, PEC Construction Equipment Leasing Company (Huizhou) Limited.

8. INCOME TAX EXPENSE

Major components of income tax expense

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

	Note	Group 2020 $	Group 2019 $
Consolidated statement of comprehensive income:			
Current income tax:			
– Current income tax		2,271,480	2,206,225
– Under provision in respect of prior years		100,066	57,517
		2,371,546	2,263,742
Deferred income tax:			
– Origination and reversal of temporary differences		(331,698)	602,313
– Benefits from previously unrecognised tax benefits		–	(447,300)
– Reversal of previously recognised tax losses		1,567,797	–
– Under/(over) provision in respect of prior years	26	82,770	(560,428)
		1,318,869	(405,415)
Withholding tax expense		1,512,133	1,264,385
Income tax expense recognised in profit or loss		5,202,548	3,122,712

Reconciliation between tax expense and accounting (loss)/profit

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

	Group 2020 $	Group 2019 $
(Loss)/profit before tax	(7,991,107)	12,929,276
Tax at statutory tax rate of 17% (2019: 17%)	(1,358,488)	2,197,977
Adjustments:		
Non-deductible expenses	780,063	996,859
Income not subject to taxation	(1,032,146)	(272,216)
Effect of differences in statutory tax rates	1,595,747	445,690
Benefits from previously unrecognised deferred tax assets	(13,436)	(447,300)
Reversal of previously recognised tax losses	1,567,797	–
Under/(over) provision in respect of prior years	182,836	(502,911)
Effect of partial tax exemption and tax relief	(46,423)	(774,736)
Withholding tax on foreign sourced income	1,512,133	1,264,385
Undistributed earnings of a subsidiary	123,232	82,850
Deferred tax assets not recognised	1,999,507	47,392
Share of results of associate	(107,973)	(26,966)
Others	(301)	111,688
Income tax expense recognised in profit or loss	5,202,548	3,122,712

9. PROPERTY, PLANT AND EQUIPMENT

	Buildings $	Plant machinery and site equipment $	Motor vehicles $	Office equipment, furniture and fittings, and renovation $	Construction in progress $	Total $
Group						
Cost:						
At 1 July 2018	69,606,851	91,653,267	20,263,052	20,044,813	2,420,728	203,988,711
Additions	–	8,077,603	1,993,035	1,184,611	8,463,362	19,718,611
Disposals	–	(1,828,508)	(674,125)	(1,892,805)	–	(4,395,438)
Transfer from construction in progress	10,769,903	–	–	–	(10,769,903)	–
Currency realignment	(618,433)	(758,231)	(98,842)	(40,033)	(17,876)	(1,533,415)
At 30 June 2019 and 1 July 2019	79,758,321	97,144,131	21,483,120	19,296,586	96,311	217,778,469
Reclassified to right-of-use assets (Note 10)	–	–	(619,770)	–	–	(619,770)
At 1 July 2019	79,758,321	97,144,131	20,863,350	19,296,586	96,311	217,158,699
Additions	8,918,496	7,750,554	1,448,506	1,339,898	95,095	19,552,549
Disposals	–	(7,345,171)	(901,609)	(231,858)	–	(8,478,638)
Currency realignment	926,202	365,547	51,520	38,541	20,811	1,402,621
At 30 June 2020	89,603,019	97,915,061	21,461,767	20,443,167	212,217	229,635,231
Accumulated depreciation and impairment loss:						
At 1 July 2018	25,776,082	67,103,323	15,346,683	18,071,733	–	126,297,821
Depreciation charge for the year	3,850,885	5,581,761	1,096,432	1,393,038	–	11,922,116
Disposals	–	(1,534,072)	(550,217)	(1,887,697)	–	(3,971,986)
Reversal of impairment	–	(530,051)	–	–	–	(530,051)
Currency realignment	(98,523)	(405,329)	(48,691)	(23,486)	–	(576,029)
At 30 June 2019 and 1 July 2019	29,528,444	70,215,632	15,844,207	17,553,588	–	133,141,871
Reclassified to right-of-use assets (Note 10)	–	–	(209,665)	–	–	(209,665)
At 1 July 2019	29,528,444	70,215,632	15,634,542	17,553,588	–	132,932,206
Depreciation charge for the year	4,290,566	5,884,301	1,068,554	1,163,505	–	12,406,926
Impairment charge for the year	–	38,272	–	–	–	38,272
Disposals	–	(6,813,806)	(870,108)	(211,166)	–	(7,895,080)
Currency realignment	136,603	255,131	32,914	30,648	–	455,296
At 30 June 2020	33,955,613	69,579,530	15,865,902	18,536,575	–	137,937,620
Net carrying amount:						
At 30 June 2019	50,229,877	26,928,499	5,638,913	1,742,998	96,311	84,636,598
At 30 June 2020	55,647,406	28,335,531	5,595,865	1,906,592	212,217	91,697,611

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

	Buildings $	Plant machinery and site equipment $	Motor vehicles $	Office equipment, furniture and fittings, and renovation $	Total $
Company					
Cost:					
At 1 July 2018	45,651,171	47,323,397	14,740,095	12,426,712	120,141,375
Additions	–	1,935,762	973,187	846,355	3,755,304
Disposals	–	(616,542)	(58,800)	(26,170)	(701,512)
At 30 June 2019 and 1 July 2019	45,651,171	48,642,617	15,654,482	13,246,897	123,195,167
Additions	8,530,395	1,391,571	1,166,712	797,071	11,885,749
Disposals	–	(3,215,631)	(530,111)	(35,756)	(3,781,498)
At 30 June 2020	54,181,566	46,818,557	16,291,083	14,008,212	131,299,418
Accumulated depreciation:					
At 1 July 2018	19,849,103	38,299,281	11,546,347	11,607,323	81,302,054
Charge for the year	2,713,154	2,015,066	684,932	641,825	6,054,977
Disposals	–	(587,574)	(58,799)	(26,139)	(672,512)
At 30 June 2019 and 1 July 2019	22,562,257	39,726,773	12,172,480	12,223,009	86,684,519
Charge for the year	2,823,821	2,100,103	719,949	723,535	6,367,408
Disposals	–	(3,215,203)	(530,101)	(35,728)	(3,781,032)
At 30 June 2020	25,386,078	38,611,673	12,362,328	12,910,816	89,270,895
Net carrying amount:					
At 30 June 2019	23,088,914	8,915,844	3,482,002	1,023,888	36,510,648
At 30 June 2020	28,795,488	8,206,884	3,928,755	1,097,396	42,028,523

Assets held under finance leases

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

The carrying amount of motor vehicles held under finance leases as at 30 June 2019 were $410,105. The amount was reclassified to right-of-use assets on 1 July 2019 (Note 10).

Assets pledged as security

Certain of the Group's buildings with a carrying amount of $6,922,186 (2019: $7,133,364) are mortgaged to secure one of the Group's bank loans as disclosed in Note 23.

Impairment/(reversal of impairment) of assets

During the current financial year, the Group carried out a review of the recoverable amount of its plant machinery and site equipment. Accordingly, the impairment losses of $38,272 (2019: write-back of impairment losses of $530,051) has been recognised in the "Other operating expenses" (2019: "Other operating income") line item of profit or loss for the current financial year.

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

Provision for reinstatement

Included in additions is an amount of $1,465,326 (2019: $Nil) which relates to provision for reinstatement costs (Note 22). The cash outflow on acquisition of property, plant and equipment during the year, excluding the provision for reinstatement cost is $18,087,223 (2019: $19,475,411).

10. LEASES

The Group has lease contracts for various items of leasehold land, offices and dormitories, motor vehicles and office equipment used in its operations.

Leases of leasehold land and land use rights generally have lease terms between 2 years to 62 years, while the leases for offices and dormitories have lease terms between 1 year to 11 years. Leases of motor vehicles and office equipment generally have lease terms between 1 year and 10 years. The Group's obligation under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets.

(a) Carrying amounts of right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Leasehold land $	Land use rights $	Offices and dormitories $	Motor vehicles and others $	Total $
Group					
Cost:					
Effect of adopting SFRS(I) 16	9,159,011	–	3,734,855	225,900	13,119,766
Reclassified from property, plant and equipment (Note 9)	–	–	–	619,770	619,770
Reclassified from land use rights (Note 13)		900,013	–	–	900,013
Reclassified from prepayments	–	–	175,695	–	175,695
At 1 July 2019	9,159,011	900,013	3,910,550	845,670	14,815,244
Additions	9,207,879	–	352,027	167,399	9,727,305
Currency realignment	–	905	–	–	905
At 30 June 2020	18,366,890	900,918	4,262,577	1,013,069	24,543,454
Accumulated depreciation:					
Reclassified from property, plant and equipment (Note 9)	–	–	–	209,665	209,665
Reclassified from land use rights (Note 13)	–	307,128	–	–	307,128
At 1 July 2019	–	307,128	–	209,665	516,793
Charge for the year	976,833	23,477	1,420,791	186,663	2,607,764
Currency realignment	–	347	(70,597)	51	(70,199)
At 30 June 2020	976,833	330,952	1,350,194	396,379	3,054,358
Net carrying amount:					
At 30 June 2020	17,390,057	569,966	2,912,383	616,690	21,489,096

Included in additions is an amount of $20,775 which relates to partial prepayment of motor vehicle leases at commencement.

10. LEASES (CONT'D)

(a) Carrying amounts of right-of-use assets (cont'd)

	Leasehold land $	Offices and dormitories $	Office equipment $	Total $
Company				
Cost:				
At 1 July 2019	7,354,329	1,255,942	205,926	8,816,197
Additions	9,207,879	–	87,153	9,295,032
At 30 June 2020	16,562,208	1,255,942	293,079	18,111,229
Accumulated depreciation:				
At 1 July 2019	–	–	–	–
Charge for the year	846,621	916,836	90,384	1,853,841
At 30 June 2020	846,621	916,836	90,384	1,853,841
Net carrying amount:				
At 30 June 2020	15,715,587	339,106	202,695	16,257,388

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year are disclosed as follow:

	Group 2020 $	Company 2020 $
At 1 July 2019	13,370,312	8,816,197
Additions	9,706,530	9,295,031
Accretion of interest	564,762	366,520
Payments	(2,816,104)	(2,021,372)
Currency realignment	66,261	–
At 30 June 2020	20,891,761	16,456,376
Current	1,897,304	1,246,925
Non-current	18,994,457	15,209,451
	20,891,761	16,456,376

The maturity analysis of lease liabilities is disclosed in Note 38(b).

(c) Amounts recognised in profit or loss

	Note	Group 2020 $
Depreciation of right-of-use assets	7	2,607,764
Interest expense on lease liabilities	6	564,762
Expense relating to short-term leases	7	28,243,653
Total amount recognised in profit and loss		31,416,179

10. LEASES (CONT'D)

(d) Total cash outflow

The Group's total cash outflows relating to leases amounted to $31,059,757, which included principal repayments of $2,251,342.

The leases for leasehold land, offices and dormitories contain extension options for which the related lease payments had not been included in lease liabilities as the Group is not reasonably certain to exercise these options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations.

11. INVESTMENT PROPERTIES

	2020 $	2019 $
Group		
Balance sheet		
Cost:		
At the beginning of financial year	6,897,162	7,812,530
Disposals	–	(845,060)
Currency realignment	(8,147)	(70,308)
At the end of the financial year	6,889,015	6,897,162
Accumulated depreciation:		
At the beginning of financial year	953,712	901,724
Charge for the year	155,088	158,535
Disposals	–	(97,076)
Currency realignment	(1,657)	(9,471)
At the end of the financial year	1,107,143	953,712
Net carrying amount:	5,781,872	5,943,450
Income statement		
Rental income from investment properties classified as:		
– Revenue	118,480	159,971
– Other operating income (Note 5)	255,312	266,878
Total minimum lease payments	373,792	426,849
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating property	404,201	447,416
– Non-rental generating property	21,512	22,721
	425,713	470,137

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

Fair value of the investment properties amounted to $7,200,000 (2019: $7,270,000) by reference to comparable market transactions that consider recent sale of similar properties that have been transacted in the open market.

11. INVESTMENT PROPERTIES (CONT'D)

Assets pledged as security

The Group's investment properties with a carrying amount of $4,084,497 (2019: $4,195,893), and their rental proceeds, are mortgaged to secure one of the Group's bank loans disclosed in Note 23.

The investment properties held by the Group are as follows:

Description and location	Existing Use	Tenure	Unexpired lease term 2020	Unexpired lease term 2019
11 strata-titled factory units of a light industrial development known as The Elitist, Singapore	Offices	Leasehold	36	37
64 units of residential apartment at block C3 Seri Mengkuang, Malaysia	Residential	Leasehold	80	81

12. INTANGIBLE ASSETS

	Goodwill	Other intangible assets		Total
		Club membership	Licence	
	$	$	$	$
Group				
Cost:				
At 1 July 2018	1,561,952	274,640	570,150	2,406,742
Additions	–	78,500	–	78,500
Disposals	–	(145,500)	–	(145,500)
At 30 June 2019, 1 July 2019 and 30 June 2020	1,561,952	207,640	570,150	2,339,742
Accumulated amortisation and impairment loss:				
At 1 July 2018	–	236,361	513,134	749,495
Amortisation for the year	–	17,117	57,016	74,133
Disposals	–	(128,921)	–	(128,921)
At 30 June 2019 and 1 July 2019	–	124,557	570,150	694,707
Amortisation for the year	–	18,700	–	18,700
Impairment charge for the year	1,561,952	–	–	1,561,952
At 30 June 2020	1,561,952	143,257	570,150	2,275,359
Net carrying amount:				
At 30 June 2019	1,561,952	83,083	–	1,645,035
At 30 June 2020	–	64,383	–	64,383

12. INTANGIBLE ASSETS (CONT'D)

	Club membership $
Company	
Cost:	
At 1 July 2018	274,640
Additions	78,500
Disposals	(145,500)
At 30 June 2019, 1 July 2019 and 30 June 2020	207,640
Accumulated amortisation:	
At 1 July 2018	236,361
Amortisation for the year	17,117
Disposals	(128,921)
At 30 June 2019 and 1 July 2019	124,557
Amortisation for the year	18,700
At 30 June 2020	143,257
Net carrying amount:	
At 30 June 2019	83,083
At 30 June 2020	64,383

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 amounts was determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The growth rate and pre-tax discount rates applied to the cash flow projections are as follows:

	2020	2019
Growth rates	1.0%	1.0%
Pre-tax discount rates	9.6%	5.2%

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.

12. INTANGIBLE ASSETS (CONT'D)

Impairment loss recognised

During the financial year, an impairment loss was recognised to write-down the carrying amount of goodwill. The impairment was deemed necessary by management as the other operating segment is loss making and the business outlook and projection has resulted in its estimated recoverable amount being less than the carrying value of the unit.

The impairment loss on goodwill of $1,561,952 (2019: $Nil) has been recognised in profit or loss under the line item "Other operating expenses".

Other intangible assets

Other intangible assets pertain to licence fee and transferable club memberships. Licence fee pertains to the right to service and use certain specific equipment. Club memberships are registered in the name of directors and senior managers and are held in trust for the Group and Company. The amortisation expense is included in "Other operating expense" line item in profit or loss. Club memberships have a remaining tenure of 7 to 8 years (2019: 1 to 9 years).

13. LAND USE RIGHTS

	Group $
Cost:	
At 1 July 2018	942,511
Currency realignment	(42,498)
At 30 June 2019 and 1 July 2019	900,013
Reclassified to right-of-use assets (Note 10)	(900,013)
At 1 July 2019 and 30 June 2020	–
Accumulated amortisation:	
At 1 July 2018	297,030
Charge for the year	23,875
Currency realignment	(13,777)
At 30 June 2019 and 1 July 2019	307,128
Reclassified to right-of-use assets (Note 10)	(307,128)
At 1 July 2019 and 30 June 2020	–
Net carrying amount:	
At 30 June 2019	592,885
At 30 June 2020	–

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

As at 30 June 2019, the land use rights are transferrable upon approval from local government and have a remaining tenure of 34 to 63 years.

14. INVESTMENT IN SUBSIDIARIES

	Company 2020 $	Company 2019 $
Unquoted shares, at cost	54,167,849	46,752,693
Loan to a subsidiary	11,565,896	10,354,629
Impairment losses	(9,763,939)	(3,013,939)
	55,969,806	54,093,383

(a) *Composition of the Group*

	Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2020 %	2019 %
	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	100	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)	Plant General Services Pte. Ltd.	Singapore	Blasting and painting, scaffolding, insulation services	100	100
(1)	Testing Inspection & Solution Pte. Ltd.	Singapore	Heat treatment services	100	100
(1)	EBT Engineering Pte. Ltd.	Singapore	Provision of painting and blasting services in the oil and gas industry	55	55
(1)	ISOTECH Pte. Ltd.	Singapore	Marketing and provision of CAR-BER tools & services	100	100

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

	Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2020 %	2019 %
	Held by the Company (cont'd):				
[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
	Held through a subsidiary:				
[2]	Audex Fujairah LL FZE.	United Arab Emirates	Engineering, procurement, construction and project management services	100	100
[6], [9]	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
[9] Subsequent to year end, PT Audex Indonesia was placed under members' voluntary liquidation.

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

There are no subsidiaries with material NCI as at 30 June 2020.

The Group has the following subsidiaries that have NCI that are material to the Group as at 30 June 2019.

	EBT Engineering Pte. Ltd. ("EBT") $	Huizhou Tianxin Petrochemical Engineering Co., Ltd ("HTX") $
30 June 2019		
Proportion of ownership interest held by NCI	45%	40%
Accumulated NCI at the end of the financial year	3,943,964	4,587,796
Profit after tax allocated to NCI during the financial year	286,800	1,104,671

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.

(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 2019 $	HTX 2019 $
Summarised balance sheets		
Non-current assets	8,577,559	12,305,707
Current assets	6,499,940	14,636,480
Non-current liabilities	(5,097,213)	–
Current liabilities	(1,215,921)	(15,472,697)
Net assets	8,764,365	11,469,490
Summarised statement of comprehensive income		
Revenue	9,362,948	28,857,109
Profit for the year	637,333	2,761,677
Other comprehensive income	–	(532,083)
Total comprehensive income	637,333	2,229,594
Other summarised information		
Dividends paid to NCI	–	(630,082)

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Impairment losses made on investment in a subsidiary

During the financial year, management has performed an impairment test for the Company's investment in a subsidiary. As a result, the Company has made an impairment loss of $6,750,000 (2019: write-back of impairment losses of $1,250,000) for the year ended 30 June 2020 to write down the investment to its recoverable amount.

(e) Capitalisation of loan to a subsidiary

The Company has capitalised a loan to subsidiary, amounting to $1,211,267 (2019: $10,354,629), as investment in subsidiaries. The loan to a subsidiary has no fixed repayment date. The repayment date is determined by the subsidiary based on the availability of funds. There is no contractual obligations for the subsidiary to repay the loan.

(f) Acquisition of ownership interest in subsidiary

On 15 June 2020, the Company acquired an additional 40% equity interest in Huizhou Tianxin Petrochemical Engineering Co., Ltd. ("HTX") from its non-controlling interests for a cash consideration of $7,415,156. As a result of the acquisition, HTX became a wholly owned subsidiary of the Company. The carrying value of the net assets of HTX as at 15 June 2020 was $11,907,572 and the carrying value of the additional interest acquired was $4,763,029. The difference between the consideration and the carrying value of the additional interest acquired was $2,652,127.

(g) Proceeds from liquidated subsidiary upon completion

PEC (Middle East) Pte. Ltd. was placed under members' voluntary liquidation in the previous financial year. The liquidation process was completed during the year and the Group received an amount of $186,903 upon completion.

15. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Unquoted shares, at cost	354,320	354,320	354,320	354,320
Share of post acquisition reserves	5,095,207	4,590,410	–	–
Carrying amount of investment in associate	5,449,527	4,944,730	354,320	354,320

	Name of associate	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2020 %	2019 %
	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 $130,340 (2019: $245,000) were declared by Plant Electrical Instrumentation Pte. Ltd. ("PEI") to the Company in the current financial year.

15. 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	
	2020	**2019**
	$	$
Summarised balance sheet		
Current assets	15,510,098	15,920,871
Non-current assets	754,410	913,297
Total assets	16,264,508	16,834,168
Current liabilities	4,923,322	6,511,958
Non-current liabilities	75,789	87,010
Total liabilities	4,999,111	6,598,968
Net assets	11,265,397	10,235,200
Proportion of the Group's ownership	49%	49%
Group's share of net assets	5,520,045	5,015,248
Bargain purchase on acquisition	(70,518)	(70,518)
Carrying amount of the investment	5,449,527	4,944,730
Summarised statement of comprehensive income		
Revenue	35,021,591	38,102,453
Profit after tax	1,296,197	323,719

16. INVESTMENT SECURITIES

	Group and Company	
	2020	**2019**
	$	$
Non-current		
At fair value through other comprehensive income		
– Equity securities (quoted) listed in Singapore	1,466	3,678

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

The Group recognised a dividend of $825 (2019: $1,517) from its investments securities during year.

During the financial year, the Group has sold off one of its equity securities at a consideration of $2,160 (2019: $Nil). Cumulative losses arising from the disposals amounted to $590 (2019: $Nil) were transferred from fair value reserve to retained earnings.

17. TRADE RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Trade receivables:				
– External parties	158,853,374	114,157,534	22,574,534	52,439,241
– Associate	17,394	26,471	–	–
– Related parties	4,328	5,939	–	–
– Subsidiaries	–	–	14,697,930	11,156,377
	158,875,096	114,189,944	37,272,464	63,595,618
Allowance for impairment:				
– External parties	(17,751,354)	(1,984,154)	(1,627,929)	(17,013)
– Subsidiaries	–	–	(5,242,798)	–
	141,123,742	112,205,790	30,401,737	63,578,605
Non-current	43,615	1,013,989	–	–
Current	141,080,127	111,191,801	30,401,737	63,578,605
	141,123,742	112,205,790	30,401,737	63,578,605

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

Included in trade receivables are retention receivables amounting to $2,629,117 (2019: $2,637,676) and of which $43,615 (2019: $1,013,989) are non-current. Of the trade receivables, approximately $108,000,000 has been received subsequent to year end.

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

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

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Arab Emirates Dirham	30,996,586	41,155,883	–	–
United States Dollar	83,520,171	16,980,503	6,898,378	8,079,962

17. TRADE RECEIVABLES (CONT'D)

Expected credit losses

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

	Group Trade receivables	
	2020	**2019**
	$	$
Movement in allowance accounts:		
At the beginning of the financial year	1,984,154	2,162,426
Charge for the year (Note 7)	15,885,313	426,566
Written off	(120,956)	(28,355)
Impairment of contract assets reclassed to receivables	–	352,221
Written back	–	(905,268)
Currency realignment	2,843	(23,436)
At the end of the financial year	17,751,354	1,984,154

18. INVENTORIES

	Group	
	2020	**2019**
	$	$
Balance sheet:		
Finished goods, at lower of cost and net realisable value	443,284	321,387
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	5,135,215	3,879,391

19. OTHER RECEIVABLES AND DEPOSITS

		Group		Company	
	Note	**2020**	**2019**	**2020**	**2019**
		$	$	$	$
Other receivables		7,103,556	2,818,327	11,438,030	6,215,725
Refundable deposits		2,907,732	2,918,916	1,695,728	1,590,939
		10,011,288	5,737,243	13,133,758	7,806,664
Other receivables and deposits		10,011,288	5,737,243	13,133,758	7,806,664
Trade receivables	17	141,123,742	112,205,790	30,401,737	63,578,605
Loans due from subsidiaries	20	–	–	4,405,672	5,535,650
Cash and short-term deposits	21	100,068,986	94,244,832	50,840,380	36,565,259
Total financial assets carried at amortised cost		251,204,016	212,187,865	98,781,547	113,486,178

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.

19. OTHER RECEIVABLES AND DEPOSITS (CONT'D)

Other receivables and deposits denominated in foreign currencies are as follows:

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Euro	100,000	–	100,000	–
Malaysian Ringgit	42,618	42,618	42,618	42,618
United States Dollar	86,738	90,657	77,290	89,583

20. LOANS DUE FROM SUBSIDIARIES

	Company 2020 $	Company 2019 $
Loans due from subsidiaries	4,405,672	5,535,650

The loans due from subsidiaries are current, unsecured, bear interest from 2.0% to 4.5% (2019: 2.8% to 4.5%) per annum and are to be settled in cash.

21. 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 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Cash at banks and on hand		83,538,902	69,358,278	50,107,283	25,778,828
Fixed deposits		16,530,084	24,886,554	733,097	10,786,431
Cash and short-term deposits		100,068,986	94,244,832	50,840,380	36,565,259
Less: Bank deposits pledged		–	(14,768)	–	–
Less: Bank overdrafts	23	–	(860,073)	–	–
Cash and cash equivalents		100,068,986	93,369,991	50,840,380	36,565,259

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

The interest rate of fixed deposits ranges from approximately 0.25% to 6.92% (2019: 0.25% to 6.70%) per annum.

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

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Arab Emirates Dirham	26,474	26,080	3	3
Euro	28,358	76,876	14,848	63,460
Malaysian Ringgit	937,439	963,508	937,439	963,508
Renminbi	136,552	3,979,168	136,552	3,979,168
United States Dollar	26,607,182	38,250,270	18,288,540	11,674,442

22. PROVISIONS

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Current:				
Provision for unutilised leave	2,765,820	2,421,862	1,818,668	1,815,110
Provision for warranty	2,531,895	807,547	575,000	–
Provision for onerous contracts	1,589,152	720,600	1,495,000	720,600
	6,886,867	3,950,009	3,888,668	2,535,710
Non-current:				
Provision for reinstatement cost	2,774,130	1,238,226	2,634,355	1,238,226
	9,660,997	5,188,235	6,523,023	3,773,936

	Group				
	Provision for unutilised leave	Provision for warranty	Provision for onerous contracts	Provision for reinstatement cost	Total
	$	$	$	$	$
At 1 July 2018	2,364,187	3,538,866	–	1,364,126	7,267,179
Arose during the financial year	281,844	537,520	720,600	–	1,539,964
Unused amounts reversed	(221,285)	(3,266,171)	–	(125,900)	(3,613,356)
Currency realignment	(2,884)	(2,668)	–	–	(5,552)
At 30 June 2019 and 1 July 2019	2,421,862	807,547	720,600	1,238,226	5,188,235
Arose during the financial year	429,721	1,722,357	901,952	1,465,326	4,519,356
Accretion of interest	–	–	–	70,578	70,578
Unused amounts reversed	(100,126)	(8,576)	(33,400)	–	(142,102)
Currency realignment	14,363	10,567	–	–	24,930
At 30 June 2020	2,765,820	2,531,895	1,589,152	2,774,130	9,660,997

23. LOANS AND BORROWINGS

	Maturity	Note	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Current:						
Bank loan 1	2020-2021		1,673,095	399,045	–	–
Bank loan 2	2020-2021		275,783	268,445	–	–
Bank loan 3	2020-2021		10,000,000	10,000,000	10,000,000	10,000,000
Bank loan 4	2019-2020		–	590,702	–	–
Bank loan 5	2020-2021		1,578,781	–	–	–
Bank loan 6	2020-2021		857,053	–	–	–
Bank overdrafts	On demand	21	–	860,073	–	–
Obligations under finance leases	2019-2020		–	62,719	–	–
			14,384,712	12,180,984	10,000,000	10,000,000
Non-current:						
Bank loan 1	2021-2029		–	1,673,094	–	–
Bank loan 2	2021-2035		4,633,603	4,909,386	–	–
Obligations under finance leases	2020-2025		–	187,827	–	–
			4,633,603	6,770,307	–	–
Total loans and borrowings			19,018,315	18,951,291	10,000,000	10,000,000

Bank Loan 1

This loan is denominated in SGD, bears interest of 1.5% + cost of funds (2019: 1.5% + cost of funds) per annum and is secured by a legal mortgage of an investment property (Note 11) and its rental proceeds.

Bank Loan 2

This loan is denominated in SGD, bears fixed interest of 2.70% (2019: 2.70%) per annum and is secured by a legal mortgage over a factory building (Note 9), a personal guarantee, and a corporate guarantee.

Bank Loan 3

This loan is denominated in SGD, unsecured and bears interest of 2.45% (2019: 2.80%) per annum.

Bank Loan 4

This loan was denominated in Renminbi (“RMB”), unsecured and bears interest of 5.50% per annum. The loan was fully repaid during the year.

Bank Loan 5

This loan is denominated in Thai Baht (“THB”), unsecured and bears interest of 2.35% (2019: Nil) per annum.

Bank Loan 6

This loan is denominated in Thai Baht (“THB”), unsecured and bears interest of 2.35%-2.85% per annum.

Bank overdrafts

The bank overdrafts carried interest at 8.25% per annum and was repaid during the year.

23. LOANS AND BORROWINGS (CONT'D)

Obligations under finance leases

In the previous financial year, finance leases bear interest of 4.35% to 5.66% per annum and are secured by rights to the leased assets (Note 9). Future minimum lease payments under the finance leases together with the present value of the net minimum lease payments are as follows:

	Minimum lease payments 2019 $	Present value of minimum lease payments 2019 $
Group		
Not later than one year	74,136	62,719
Later than one year but not more than five years	187,827	187,827
Total minimum lease payments	261,963	250,546
Less: Amounts representing finance charges	(11,417)	–
Present value of minimum lease payments	250,546	250,546

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

	1.7.2019 $	Cash flows $	Non-cash changes: Currency realignment $	Non-cash changes: Other $	30.6.2020 $
Loans					
– Current	11,258,192	1,149,111	28,532	1,948,877	14,384,712
– Non-current	6,582,480	–	–	(1,948,877)	4,633,603
Total	17,840,672	1,149,111	28,532	–	19,018,315

	1.7.2018 $	Cash flows $	Non-cash changes: Acquisition $	Non-cash changes: Currency realignment $	Non-cash changes: Other $	30.6.2019 $
Loans						
– Current	651,940	9,948,419	–	(9,657)	667,490	11,258,192
– Non-current	7,688,434	(438,464)	–	–	(667,490)	6,582,480
Obligations under finance leases						
– Current	52,872	(78,245)	25,373	–	62,719	62,719
– Non-current	32,719	–	217,827	–	(62,719)	187,827
Total	8,425,965	9,431,710	243,200	(9,657)	–	18,091,218

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

24. TRADE PAYABLES

	Note	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Trade payables:					
– External parties		25,206,829	26,195,994	5,069,817	15,511,522
– Associate		51,101	118,057	50,748	118,057
– Related parties		72,812	14,432	59,528	–
– Subsidiaries		–	–	6,032,221	13,060,443
	25	25,330,742	26,328,483	11,212,314	28,690,022
Net GST payables		962,913	1,110,803	1,272,610	1,648,863
		26,293,655	27,439,286	12,484,924	30,338,885

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

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

Trade payables denominated in foreign currencies are as follows:

	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Euro	3,898,185	18,156	115,492	16,921
Malaysian Ringgit	2,417	19,608	2,417	19,608
United States Dollar	1,611,344	464,575	315,927	305,216

25. OTHER PAYABLES AND ACCRUALS

	Note	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
Accrued operating expenses		50,550,638	65,339,749	16,015,654	25,232,708
Accrued staff benefit expenses		13,062,261	11,915,651	7,788,998	10,171,785
Accrued directors' fees		133,667	89,248	112,500	57,500
Other payables		2,063,265	1,504,687	161,830	99,256
Dividend payable to non-controlling interest		6,221,378	4,016,776	–	–
		72,031,209	82,866,111	24,078,982	35,561,249
Deferred grant income		3,322,089	–	2,943,535	–
		75,353,298	82,866,111	27,022,517	35,561,249
Other payables and accruals		72,031,209	82,866,111	24,078,982	35,561,249
Lease liabilities	10	20,891,761	–	16,456,376	–
Loans and borrowings	23	19,018,315	18,951,291	10,000,000	10,000,000
Trade payables	24	25,330,742	26,328,483	11,212,314	28,690,022
Total financial liabilities carried at amortised cost		137,272,027	128,145,885	61,747,672	74,251,271

25. OTHER PAYABLES AND ACCRUALS (CONT'D)

Other payables have an average term of 6 (2019: 6) months.

Deferred grant income relates to government grants for Jobs Support Scheme ("JSS") announced in Budget 2020, with further enhancement in the Resilience and Solidarity Budgets. The JSS grant was recognised as a grant income, on a systematic basis, over the estimated ten months period of economic uncertainty from April 2020 to January 2021 in which the Group recognises the related salary costs. There are no unfulfilled conditions or contingencies attached to these grants.

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

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
United States Dollar	15,038,144	165,813	–	–

26. DEFERRED TAX ASSETS/LIABILITIES

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

	Group		Company	
	2020	2019	2020	2019
	$	$	$	$
Deferred tax liabilities				
Differences in depreciation and amortisation for tax purposes	796,795	1,242,262	365,214	1,284,730
Foreign sourced income not received in Singapore	229,410	193,916	229,410	193,916
Undistributed earnings of a subsidiary	359,222	235,989	–	–
Deferred tax assets				
Provisions	(1,746,320)	(2,332,063)	(1,482,556)	(1,760,726)
Unutilised tax losses	(86,262)	(1,106,050)	(77,148)	–
	(447,155)	(1,765,946)	(965,080)	(282,080)
Presented as:				
Deferred tax assets	(965,080)	(2,290,888)	(965,080)	(282,080)
Deferred tax liabilities	517,925	524,942	–	–
	(447,155)	(1,765,946)	(965,080)	(282,080)

An analysis of the net deferred taxes is as follows:

	Group	
	2020	2019
	$	$
At the beginning of financial year	(1,765,946)	(1,360,413)
Movements in deferred taxes (Note 8)		
– Current financial year	1,236,099	155,013
– Under/(over) provision in respect of prior years	82,770	(560,428)
– Currency realignment	(78)	(118)
At the end of the financial year	(447,155)	(1,765,946)

26. DEFERRED TAX ASSETS/LIABILITIES (CONT'D)

Unrecognised tax losses and deductible temporary differences

The Group has unutilised tax losses and deductible temporary differences of approximately $20,820,000 (2019: $541,000) and $769,000 (2019: $638,000) respectively that are available for offset against future taxable incomes of the companies in which the tax losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses and deductible temporary differences are subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Temporary differences relating to investments in subsidiaries

At the end of the reporting period, $359,222 (2019: $235,989) 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 $23,531,000 (2019: $28,901,000). The deferred tax liability is estimated to be $4,000,270 (2019: $4,913,170).

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 32).

27. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2020		2019	
	No. of shares	$	No. of shares	$
At beginning and end of the financial year	255,714,763	58,835,589	255,714,763	58,835,589

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			
	2020		2019	
	No. of shares	$	No. of shares	$
At beginning of financial year	749,537	444,576	200,024	119,840
Acquired during the year	321,400	131,377	1,597,000	946,863
Reissued during the year	–	–	(1,047,487)	(622,127)
At end of financial year	1,070,937	575,953	749,537	444,576

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

During the current financial year, the Company acquired 321,400 (2019: 1,597,000) shares in the Company through purchases on the Singapore Exchange. The total amount paid to acquire the shares was $131,377 (2019: $946,863) and this was presented as a component within the shareholders' equity.

In the previous financial year, the Company reissued 1,047,487 treasury shares pursuant to its employee share option plans at a weighted average exercise price of $0.60 each.

28. STATUTORY RESERVE

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China ("PRC"), the Group's subsidiaries are required to make appropriations to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

In the previous financial year, the SRF has reached 50% of the subsidiaries' registered capital. Accordingly, no appropriations were made since the previous financial year.

29. FAIR VALUE RESERVE

Fair value reserve represents the cumulative fair value changes, net of tax, of financial assets measured at fair value through other comprehensive income (Note 16) until they are disposed of or impaired.

30. 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.

31. 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.

32. DIVIDENDS

	Group and Company	
	2020	**2019**
	$	$
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt dividend for 2019: 2.0 (2018: 2.0) cents per share	5,099,305	5,093,935
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 2020: 0.5 (2019: 2.0) cents per share	1,273,219	5,099,305

33. (LOSS)/EARNINGS PER SHARE

Basic (loss)/earnings per share amounts are calculated by dividing the (loss)/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 (loss)/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.

33. (LOSS)/EARNINGS PER SHARE (CONT'D)

The following table reflects the statement of comprehensive income and share data used in the computation of basic and diluted (loss)/earnings per share for the financial years ended 30 June:

	Group	
	2020	**2019**
	$	$
(Loss)/profit for the year attributable to owners of the Company	(12,759,798)	8,280,944
Weighted average number of ordinary shares for basic and diluted earnings per share computation*	254,885,375	254,811,554
(Loss)/earnings per share (cents per share)		
Basic and diluted (loss)/earnings per share	(5.0)	3.2

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

34. SHARE-BASED COMPENSATION

PEC Performance share plan ("PSP")

The PSP was approved at an Extraordinary General Meeting ("EGM") held on 25 October 2013, for granting awards to eligible full-time employees and Executive Directors. Details of the PSP are disclosed in the Directors' statement.

On 3 December 2019 ("2020 PSP") (2019: 3 December 2018 defined as "2019 PSP"), awards were granted by the Company to qualifying employees pursuant to the Plan in respect of up to 5,172,414 (2019: 5,128,205) 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 2020 PSP.

In the previous financial year, the Group has recognised a share-based compensation expense of $86,049 in relation to 2016 PSP.

35. RELATED PARTY DISCLOSURES

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

(a) Sale and purchase of goods and services

	Group 2020 $	Group 2019 $
(i) *Related parties:*		
Revenue from sale of information systems	12,147	6,055
Revenue from system installation	1,448	1,313
Office rental expenses	(255,525)	(260,712)
Recharge of utility expenses	(35,087)	(41,775)
(ii) *Associate*:		
Revenue from manpower supply and engineering works	5,262	22,304
Revenue from IT services	41,430	36,450
Subcontractors charges and manpower charges	(2,747,056)	(4,039,965)

(b) Compensation of key management personnel

	Group 2020 $	Group 2019 $
Directors' fees	233,000	245,000
Salaries and bonuses	1,955,641	3,894,448
Short-term employee benefits	27,040	3,367
Central Provident Fund contributions	93,660	102,873
Share-based compensation expense	–	20,390
Total compensation paid to key management personnel	2,309,341	4,266,078
Comprise amounts paid to		
– Directors of the Company	868,195	2,178,617
– Other key management personnel	1,441,146	2,087,461
	2,309,341	4,266,078

36. COMMITMENTS AND CONTINGENCIES

(a) Operating lease commitments – as lessee

The Group and the Company have entered into commercial leases on leasehold land and properties, dormitories, office equipment and machineries and equipment as lessee. As at 30 June 2019, operating lease payments for leasehold land and properties, dormitories, office equipment and machineries and equipment, excluding amortisation of land use rights recognised as an expense in the profit or loss amounted to $2,267,568, $10,608,255 $120,947 and $10,410,973 respectively. These leases have an average tenure of between one and thirty years with renewal option included in the contracts.

Future minimum lease payments under non-cancellable operating leases as at the end of the reporting period are as follows:

	Group 2019 $
Within one year	1,413,028
Later than one year but not later than five years	4,333,329
More than five years	4,332,940
	10,079,297

As disclosed in Note 2.3, the Group has adopted SFRS(I) 16 on 1 July 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheet as at 30 June 2020, except for short-term leases.

(b) Operating lease commitments – as lessor

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

Future minimum rental receivable under non-cancellable operating leases as at the end of each reporting period are as follows:

	Group	
	2020 $	2019 $
Within one year	259,453	286,259
Later than one year but not later than five years	134,136	27,632
	393,589	313,891

(c) Contingent liabilities

Corporate guarantee

The Company has provided corporate guarantees to banks amounting to $3,154,000 (2019: $3,154,000) for loans taken by its subsidiaries (Note 23 and Note 38).

Continuing financial support

As at the end of the financial year, the Company has given undertakings to provide continuing financial support to certain subsidiaries to enable them to operate on a going concern basis and to meet their obligations as and when they fall due for at least 12 months from the end of financial year.

At the end of the financial year, these subsidiaries had capital deficiencies totalling $62,000 (2019: $54,000) including amounts due from the subsidiaries to the Company totalling $11,175,000 (2019: $10,066,000).

In the opinion of the directors, no loss is anticipated from these contingent liabilities.

37. FAIR VALUE OF ASSETS AND LIABILITIES

A. Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

B. Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets carried at fair value by level of fair value hierarchy:

	Note	Quoted prices in active markets (Level 1) $
Group		
2020		
Financial assets:		
Equity instruments at FVOCI		
– Investment securities (quoted)	16	1,466
2019		
Financial assets:		
Equity instruments at FVOCI		
– Investment securities (quoted)	16	3,678

Determination of fair value

Investment securities (Note 16): Fair value is determined directly by reference to their published market bid price at the end of the reporting period.

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

C. Assets and liabilities not carried at fair value but for which fair value is disclosed

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

		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 $
2020				
Non-financial assets				
Investment properties	11	7,200,000	–	5,781,872
Financial assets				
Trade receivables	17	–	39,880	43,615
		7,200,000	39,880	5,825,487
Financial liabilities				
Loans and borrowings		–	5,108,108	4,633,603
2019				
Non-financial assets				
Investment properties	11	7,270,000	–	5,943,450
Financial assets				
Trade receivables	17	–	858,419	1,013,989
		7,270,000	858,419	6,957,439
Financial liabilities				
Loans and borrowings		–	5,493,666	5,097,213

<u>Determination of fair value</u>

Investment properties (Note 11): Investment properties are based on comparable market transactions that consider recent sale of similar properties that have been transacted in the open market.

Trade receivables (Note 17): The fair value as disclosed above is estimated by discounting expected future cash flows at market incremental lending rate at the end of the reporting period.

Loans and borrowings (Note 23): The fair values as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rates for similar types of lending, borrowing or leasing arrangement at the end of the reporting period.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Finance Director. The Audit Committee provides independent oversight of the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken, except for the use of hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, bank deposits pledged, and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy external parties. It is the Group's practice that all new customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments within 90 to 120 days, depending on the geographical location, when they fall due, which are derived based on the Group's historical information, and other qualitative factors.

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- Actual or expected significant changes in the operating results of the debtor
- Significant increases in credit risk on other financial instruments of the same debtor
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and the Company and changes in the operating results of the debtor

Regardless of the analysis above, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial re-organisation
- There is a disappearance of an active market for that financial asset because of financial difficulty

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

(a) Credit risk (cont'd)

The Group and Company categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments beyond the contractual date due and there is no indication nor arrangement that payment will be received. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group and Company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade receivables and contract assets.

Trade receivables and contract assets

The Group provides for lifetime expected credit losses for all trade receivables, and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The loss allowance provision as at 30 June 2020 is determined as follows, the expected credit losses below also incorporate forward-looking information such as forecasted default rate of oil and gas industry.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix, grouped by geographical region:

Singapore:

30 June 2020	Contract assets $	Current $	Less than 30 days due $	30 to 60 days due $	61 to 90 days due $	More than 90 days due $	Total $
Gross carrying amount	23,589,401	10,027,640	2,784,695	975,457	775,706	5,389,070	43,541,969
Loss Allowance provision	–	(315,124)	(139,817)	(145,652)	(451,043)	(2,755,827)	(3,807,463)
	23,589,401	9,712,516	2,644,878	829,805	324,663	2,633,243	39,734,506

United Arab Emirates:

30 June 2020	Contract assets $	Current $	Less than 30 days due $	30 to 60 days due $	61 to 90 days due $	More than 90 days due $	Total $
Gross carrying amount	5,148,384	7,224,391	6,644,932	97,113	6,058,489	95,747,285	120,920,594
Loss Allowance provision	(335,305)	(882,117)	(1,031,530)	–	(992,666)	(8,321,942)	(11,563,560)
	4,813,079	6,342,274	5,613,402	97,113	5,065,823	87,425,343	109,357,034

Other geographical areas:

30 June 2020	Contract assets $	Current $	Less than 30 days due $	30 to 60 days due $	61 to 90 days due $	More than 90 days due $	Total $
Gross carrying amount	6,656,539	18,234,157	1,365,198	726,762	243,573	2,580,628	29,806,857
Loss Allowance provision	(135,169)	(446,699)	(280,378)	(158,451)	(73,804)	(1,756,304)	(2,850,805)
	6,521,370	17,787,458	1,084,820	568,311	169,769	824,324	26,956,052

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

(a) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Singapore:

30 June 2019	Contract assets $	Current $	Less than 30 days due $	30 to 60 days due $	61 to 90 days due $	More than 90 days due $	Total $
Gross carrying amount	57,503,484	39,767,375	5,169,990	699,775	284,356	3,310,641	106,735,621
Loss Allowance provision	–	(46,958)	(10,746)	(31,000)	(27,243)	(1,189,359)	(1,305,306)
	57,503,484	39,720,417	5,159,244	668,775	257,113	2,121,282	105,430,315

United Arab Emirates:

30 June 2019	Contract assets $	Current $	Less than 30 days due $	30 to 60 days due $	61 to 90 days due $	More than 90 days due $	Total $
Gross carrying amount	5,971,672	3,269,476	579,159	55,737	52,714	41,644,897	51,573,655
Loss Allowance provision	–	–	–	–	–	(4,040)	(4,040)
	5,971,672	3,269,476	579,159	55,737	52,714	41,640,857	51,569,615

Other geographical areas:

30 June 2019	Contract assets $	Current $	Less than 30 days due $	30 to 60 days due $	61 to 90 days due $	More than 90 days due $	Total $
Gross carrying amount	19,640,777	14,885,081	802,206	24,465	251,999	3,392,073	38,996,601
Loss Allowance provision	–	(40,851)	(14,264)	(4,252)	(52,558)	(562,883)	(674,808)
	19,640,777	14,844,230	787,942	20,213	199,441	2,829,190	38,321,793

Information regarding loss allowance movement of trade receivables is disclosed in Note 17.

During the financial year, the Group wrote-off $120,956 (2019: $28,355) of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Other receivables

The Group assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group measured the impairment loss allowance using 12-month ECL and determined that effect is insignificant.

38. 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			
	2020		2019	
	$	% of total	$	% of total
By country:				
Singapore	13,908,793	10%	47,729,764	43%
United Arab Emirates	104,418,229	74%	45,601,948	41%
Malaysia	5,853,370	4%	8,951,877	8%
Vietnam	7,161,867	5%	3,016,825	3%
People's Republic of China	6,406,142	5%	3,908,407	3%
Other countries	3,375,341	2%	2,996,969	2%
	141,123,742	100%	112,205,790	100%

At the end of the reporting period, approximately 69% (2019: 38%) 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.

(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 75.6% (2019: 64.3%) 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.

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.

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

(b) Liquidity risk (cont'd)

	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Group				
2020				
Financial assets				
Trade receivables	141,080,127	43,615	–	141,123,742
Other receivables and deposits	10,011,288	–	–	10,011,288
Cash and short-term deposits	100,068,986	–	–	100,068,986
Total undiscounted financial assets	251,160,401	43,615	–	251,204,016
Financial liabilities				
Trade payables	25,330,742	–	–	25,330,742
Other payables and accruals	72,031,209	–	–	72,031,209
Loans and borrowings	14,702,819	2,084,170	4,698,630	21,485,619
Lease liabilities	2,986,117	8,198,328	21,232,375	32,416,820
Total undiscounted financial liabilities	115,050,887	10,282,498	25,931,005	151,264,390
Total net undiscounted financial assets/ (liabilities)	136,109,514	(10,238,883)	(25,931,005)	99,939,626
2019				
Financial assets				
Trade receivables	111,191,801	1,013,989	–	112,205,790
Other receivables and deposits	5,737,243	–	–	5,737,243
Cash and short-term deposits	94,244,832	–	–	94,244,832
Total undiscounted financial assets	211,173,876	1,013,989	–	212,187,865
Financial liabilities				
Trade payables	26,328,483	–	–	26,328,483
Other payables and accruals	82,866,111	–	–	82,866,111
Loans and borrowings	12,486,343	3,855,204	5,318,667	21,660,214
Total undiscounted financial liabilities	121,680,937	3,855,204	5,318,667	130,854,808
Total net undiscounted financial assets/ (liabilities)	89,492,939	(2,841,215)	(5,318,667)	81,333,057

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

(b) Liquidity risk (cont'd)

	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Company				
2020				
Financial assets				
Trade receivables	30,401,737	–	–	30,401,737
Other receivables and deposits	13,133,758	–	–	13,133,758
Loans due from subsidiaries	4,434,851	–	–	4,434,851
Cash and short-term deposits	50,840,380	–	–	50,840,380
Total undiscounted financial assets	98,810,726	–	–	98,810,726
Financial liabilities				
Trade payables	11,212,314	–	–	11,212,314
Other payables and accruals	24,078,982	–	–	24,078,982
Loans and borrowings	10,188,950	–	–	10,188,950
Lease liabilities	1,811,279	5,239,958	18,307,778	25,359,015
Total undiscounted financial liabilities	47,291,525	5,239,958	18,307,778	70,839,261
Total net undiscounted financial assets/ (liabilities)	51,519,201	(5,239,958)	(18,307,778)	27,971,465
2019				
Financial assets				
Trade receivables	63,578,605	–	–	63,578,605
Other receivables and deposits	7,806,664	–	–	7,806,664
Loans due from subsidiaries	5,719,240	–	–	5,719,240
Cash and short-term deposits	36,565,259	–	–	36,565,259
Total undiscounted financial assets	113,669,768	–	–	113,669,768
Financial liabilities				
Trade payables	28,690,022	–	–	28,690,022
Other payables and accruals	35,561,249	–	–	35,561,249
Loans and borrowings	10,070,000	–	–	10,070,000
Total undiscounted financial liabilities	74,321,271	–	–	74,321,271
Total net undiscounted financial assets	39,348,497	–	–	39,348,497

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	2020 $	2019 $
	1 year or less	
Financial guarantees (Note 36c)	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.

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

(c) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Malaysian Ringgit ("MYR"), and United Arab Emirates Dirhams ("AED"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD"), MYR, and AED. Approximately 44% (2019: 14%) of the Group's revenue are denominated in foreign currencies.

The Group and the Company also hold cash and short-term deposits, denominated in foreign currencies, mainly USD, RMB and MYR, for working capital purposes.

The Group uses foreign currency contracts and currency option contracts to reduce its currency exposure to foreign currency denominated sales and purchases, when necessary.

The Group is also exposed to currency translation risk arising mainly from its net investments in foreign operations, including Malaysia, United Arab Emirates and the People's Republic of China ("PRC"). The Group's net investments are not hedged as currency positions in MYR, AED and RMB are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

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

			Group 2020	 2019
			(Loss)/profit before tax Increase (+)/ (decrease) (–)	
			$'000	$'000
USD/SGD	– strengthened 3%	(2019: 3%)	-2,893	+676
	– weakened 3%	(2019: 3%)	+2,893	-676
USD/AED	– strengthened 3%	(2019: 3%)	-33	+656
	– weakened 3%	(2019: 3%)	+33	-656
USD/MYR	– strengthened 3%	(2019: 3%)	-150	+113
	– weakened 3%	(2019: 3%)	+150	-113
RMB/SGD	– strengthened 3%	(2019: 3%)	-5	+120
	– weakened 3%	(2019: 3%)	+5	-120
AED/SGD	– strengthened 3%	(2019: 3%)	-1,086	+1,235
	– weakened 3%	(2019: 3%)	+1,086	-1,235

39. CAPITAL MANAGEMENT

The Group's objectives when managing capital are:

(i) to safeguard the Company's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders;

(ii) to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The Group aims to obtain an optimal capital structure by balancing capital efficiency and financial flexibility. The Group manages its capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders or issue new shares or raise funds through the debt market.

As disclosed in Note 28, 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	
	2020	2019
	$	$
Total loans and borrowings (Note 23)	19,018,315	18,951,291
Total lease liabilities (Note 10)	20,891,761	–
	39,910,076	18,951,291
Total equity attributable to the owners of the Company	212,789,158	231,476,127
Total capital employed	252,699,234	250,427,418
Gearing ratio	15.79%	7.57%

40. SEGMENT INFORMATION

For management purposes, the Group is organised into business units as the Group's risks and rates of return are affected predominantly by differences in the services and projects carried out. The operating businesses are organised and managed separately according to the nature of the projects and services carried out, with each segment representing a strategic business unit that offers different services and serves different markets. The Group has three reportable segments as follows:

(i) The project works segment relates to provision of engineering, procurement and construction services for certain aspects of plant projects, such as tankage and/or piping work, procurement to the oil and gas, petro-chemical, pharmaceutical and oil and chemical terminal industries.

(ii) The plant maintenance and related services segment relates to a full discipline of maintenance services provided to the oil and gas, petrochemical, pharmaceutical and oil and chemical terminal industries, usually for a fixed three to five year term, under which various maintenance services and their relevant rates would be itemised.

(iii) The other operations segment relates to services provided through the Company's subsidiaries whereby heat treatment, information technology services/products and construction equipment leasing services are provided. It also relates to construction equipment leasing services provided by the Group.

Except as indicated above, no operating segments have been aggregated to form the above reportable business segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

Allocation basis and transfer pricing

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with external parties. Segment revenue, expenses and results include transfers between business segments. These transfers are eliminated on consolidation.

40. SEGMENT INFORMATION (CONT'D)

(a) Business segments

	Project works $	Plant maintenance and related services $	Other operations $	Eliminations $	Total $
2020					
Revenue	274,657,810	219,976,597	432,961	–	495,067,368
Inter-segment sales	20,955,075	26,639,362	3,029,918	(50,624,355)	–
Total revenue	295,612,885	246,615,959	3,462,879	(50,624,355)	495,067,368
Gross profit:					
Segment results	38,362,383	45,964,359	112,080	–	84,438,822
Unallocated expenses and income, net					(59,838,296)
Interest income					1,098,939
Depreciation and amortisation	(7,411,136)	(1,800,421)	(176,164)	–	(9,387,721)
Unallocated depreciation and amortisation					(5,800,757)
Impairment losses on property, plant and equipment	(38,272)	–	–	–	(38,272)
Impairment losses on financial assets and contract assets	(15,487,433)	(868,354)	–	–	(16,355,787)
Impairment losses on intangible assets	–	–	(1,561,952)	–	(1,561,952)
Finance expenses					(1,181,220)
Share of results of associate	–	–	635,137	–	635,137
Loss before tax					(7,991,107)
Income tax expense					(5,202,548)
Loss for the year					(13,193,655)
Assets:					
Additions to property, plant and equipment	15,054,235	2,912,450	1,585,864	–	19,552,549
Investment in an associate	–	–	5,449,527	–	5,449,527

40. SEGMENT INFORMATION (CONT'D)

(a) Business segments (cont'd)

	Project works $	Plant maintenance and related services $	Other operations $	Eliminations $	Total $
2019					
Revenue	146,259,998	245,966,701	496,861	–	392,723,560
Inter-segment sales	32,755,864	17,849,434	2,808,517	(53,413,815)	–
Total revenue	179,015,862	263,816,135	3,305,378	(53,413,815)	392,723,560
Gross profit:					
Segment results	41,869,094	44,971,210	154,199	–	86,994,503
Unallocated expenses and income, net					(63,609,225)
Interest income					932,135
Depreciation and amortisation	(6,626,737)	(1,531,497)	(123,894)	–	(8,282,128)
Unallocated depreciation and amortisation					(3,896,531)
Write-back of impairment on property, plant and equipment	530,051	–	–	–	530,051
(Impairment losses)/write-back of impairment losses on financial assets	(43,687)	522,389	–	–	478,702
Finance expenses					(376,853)
Share of results of associate	–	–	158,622	–	158,622
Profit before tax					12,929,276
Income tax expense					(3,122,712)
Profit for the year					9,806,564
Assets:					
Additions to property, plant and equipment	4,267,821	14,679,660	771,130	–	19,718,611
Investment in an associate	–	–	4,944,730	–	4,944,730

40. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

The Group's geographical segments are based on the operational sites' geographical location.

	Singapore $	Malaysia $	United Arab Emirates $	Others $	Eliminations $	Total $
2020						
Revenue	234,904,591	67,764,675	102,523,653	89,874,449	–	495,067,368
Inter-segment sales	24,793,745	161,247	–	25,669,363	(50,624,355)	–
Segment revenue	259,698,336	67,925,922	102,523,653	115,543,812	(50,624,355)	495,067,368
2019						
Revenue	299,528,997	12,509,846	18,712,818	61,971,899	–	392,723,560
Inter-segment sales	37,910,900	150,722	–	15,352,193	(53,413,815)	–
Segment revenue	337,439,897	12,660,568	18,712,818	77,324,092	(53,413,815)	392,723,560

	Singapore $	Malaysia $	United Arab Emirates $	Others $	Eliminations $	Total $
2020						
Non-current assets	126,648,729	3,507,162	8,588,670	29,386,992	(42,222,215)	125,909,338
2019						
Non-current assets	116,157,467	3,544,039	5,531,900	27,700,393	(54,093,383)	98,840,416

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

Information about major customers

Revenue from two major customers amounted to approximately $145,700,000 (2019: $118,500,000), arising from both project works and plant maintenance and related services business segments.

41. EVENTS OCCURRING AFTER THE REPORTING PERIOD

Following the outbreak of the global COVID-19 pandemic, many countries have imposed travel restrictions, lockdowns and quarantines to halt the spread of the virus. In particular, the Singapore Government imposed a Circuit Breaker from 7 April 2020 which resulted in the suspension of all non-essential construction activities in Singapore. Certain project works and maintenance experienced delays during this period. As Singapore enters phase two of the Circuit Breaker, the Group is gradually resuming full operations in Singapore. However, as the global COVID-19 situation continues, there is no certainty how the COVID-19 situation will evolve and impact the world economy. As a result, the Group cannot reasonably ascertain the full extent of the probable impact of the COVID-19 disruptions on its operating and financial performance for FY2021.

42. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors on 27 November 2020.

STATISTICS OF SHAREHOLDINGS

As at 16 November 2020

ISSUED SHARES AND VOTING RIGHTS

Number of Issued shares (including Treasury Shares)	–	255,714,763
Number of Issued shares (excluding Treasury Shares)	–	254,643,826
Number / Percentage of Treasury Shares	–	1,070,937 (0.42%)
Voting rights	–	One vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	9	0.51	219	0.00
100 – 1,000	110	6.17	89,048	0.03
1,001 – 10,000	897	50.34	5,925,123	2.33
10,001 – 1,000,000	743	41.69	38,171,793	14.99
1,000,001 AND ABOVE	23	1.29	210,457,643	82.65
TOTAL	**1,782**	**100.00**	**254,643,826**	**100.00**

SUBSTANTIAL SHAREHOLDERS

	No. of Shares			
Name of Substantial Shareholders	Direct Interest	Deemed Interest	Total No. of Shares	%
Tian San Company (Pte) Limited	85,750,000	–	85,750,000	33.67%
Edna Ko Poh Thim (1)	35,505,844	85,750,000	121,255,844	47.62%
Mark Ko Teong Hoon	23,624,475	–	23,624,475	9.28%

1 Edna Ko Poh Thim is deemed to be interested in 85,750,000 shares held by Tian San Company (Pte) Limited by virtue of Section 7 of the Companies Act, Cap. 50.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	TIAN SAN COMPANY (PTE.) LIMITED	85,750,000	33.67
2	KO POH THIM EDNA	35,505,844	13.94
3	MARK KO TEONG HOON (GAO ZHONGXUN)	23,624,475	9.28
4	DB NOMINEES (SINGAPORE) PTE LTD	9,869,000	3.88
5	DBS NOMINEES (PRIVATE) LIMITED	8,100,833	3.18
6	HO KIM LEE ADRIAN	5,250,900	2.06
7	YIM CHEE CHONG	5,126,000	2.01
8	CITIBANK NOMINEES SINGAPORE PTE LTD	4,997,266	1.96
9	WONG PENG	4,594,056	1.80
10	NG KHAN TEE	3,501,575	1.38
11	KO TEOH MEI SHU SUSIE	3,500,000	1.37
12	PATRICIA KO POH CHENG	3,462,100	1.36
13	MELISSA PEONY LU TENG KO KUMAR	2,668,950	1.05
14	PHILLIP SECURITIES PTE LTD	1,857,800	0.73
15	LEE MAY PENG MAISIE	1,750,000	0.69
16	ROBERT DOMPELING	1,725,844	0.68
17	YEO SENG CHONG	1,650,000	0.65
18	KO LU SEIN	1,600,000	0.63
19	ISKOUNEN MEHDI ADAM	1,300,000	0.51
20	KO POH KHENG KRISTINE	1,228,000	0.48
	TOTAL	**207,062,643**	**81.31**

PERCENTAGE OF SHAREHOLDING HELD IN PUBLIC HANDS

Based on the information available to the Company as at 16 September 2020, approximately 33.49% 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 convened and held by way of electronic means on Monday, 28 December 2020 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 2020 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt One-Tier Final Dividend of 0.5 cents per ordinary share for the financial year ended 30 June 2020. **(Resolution 2)**

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

4. To re-elect Ms Tan Whei Mien Joy, 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 re-elect Mr Pek Hak Bin, being a Director who retires by rotation pursuant to Article 118 of the Constitution of the Company. [See Explanatory Note (ii)] **(Resolution 5)**

6. To approve the payment of Directors' fees of S$285,000 for the financial year ending 30 June 2021, to be paid quarterly in arrears. **(Resolution 6)**

7. 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 7)**

8. 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:

9. **SHARE ISSUE MANDATE**

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

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

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

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

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

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

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

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

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

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

(iii) 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 (iii)] **(Resolution 8)**

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

THAT:

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

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

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

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

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

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

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

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

(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, applicable goods and services tax and other related expenses) not exceeding:

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

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

where:

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

"**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 (iv)] **(Resolution 9)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Company Secretary

Singapore, 9 December 2020

EXPLANATORY NOTES:

(i) **Resolution 4** is to re-elect Ms Tan Whei Mien Joy as a Director of the Company. Ms Tan, upon re-election as a Director of the Company, will remain as the Chairman of the Nominating Committee and a member of the Remuneration Committee and the Audit and Risk Management Committee. Ms Tan is the Independent Director.

(ii) **Resolution 5** is to re-elect Mr Pek Hak Bin as a Director of the Company. Mr Pek, upon re-election as a Director of the Company, will remain as a member of the Audit and Risk Management Committee, Remuneration Committee and the Nominating Committee. Mr Pek is the Independent Director.

(iii) **Resolution 8** proposed in item 9. above, if passed, is to empower the Directors to allot and issue shares in the capital of the Company and/or Instruments (as defined above), and to issue shares in pursuance of such Instruments. The aggregate number of shares to be issued pursuant to Resolution 8 (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 8, 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 8, 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.

(iv) **Resolution 9** proposed in item 10. above, if passed, will empower the Directors to exercise all powers of the Company to purchase or otherwise acquire (whether by way of market purchases or off-market purchases) Shares on the terms of the Share Purchase Mandate as set out in the letter to shareholders of the Company dated 9 December 2020 (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 2020 is set out in paragraph 2.7 of the Letter.

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.

NOTES:

1. The AGM is being convened, and will be held, by electronic means pursuant to COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the notice of AGM (the "**Notice**") will not be sent to members. Instead, this Notice will be sent to members by electronic means via an announcement on the SGX website at the URL *https://www2.sgx.com/securities/company-announcements* and may be accessed at the Company's website at the URL *http://www.peceng.com/html/investor_shareholders.php*.

2. Alternative arrangements relating to the attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting of appointing the Chairman of the Meeting as proxy at the AGM, are set out in Notes below. This announcement may be accessed at the Company's website at the URL *http://www.peceng. com/html/investor_shareholders.php*, PEC AGM website at the URL *http://www.peceng.com/* html/investor_shareholders.php and on the SGX website at the URL *https://www2.sgx.com/securities/company-announcements*.

3. Due to the various control and safe distancing measures put in place in Singapore to prevent the spread of COVID-19, members will not be able to attend the Annual General Meeting ("**AGM**") in person. A member (whether individual or corporate) must submit his/her/its Proxy Form appointing the Chairman of the Meeting as his/her/ its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/ its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the Proxy Form, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid. The Proxy Form for the AGM will be announced together with the Notice of AGM and may be accessed at the Company's website at the URL *http://www.peceng.com/html/investor_shareholders.php* and on the SGX website at the URL *https://www2.sgx.com/securities/company-announcements*.

   CPF or SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days prior to the date of the AGM.

4. The instrument appointing the Chairman of the AGM as proxy must be deposited at the office of the Company's Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 or submitted via email to *RHTCAOscar@rhtcorporate.com*, in each case, not less than 48 hours before the time for holding the AGM and at any adjournment thereof and in default the instrument of proxy shall not be treated as valid.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.

5. The Annual Report 2020 and the Letter to Shareholders dated 9 December 2020 in relation to the proposed renewal of the share purchase mandate may be accessed at the Company's website at the URL *http://www.peceng.com/html/investor_shareholders.php*, PEC AGM website (https://agm.conveneagm.com/peceng) and on the SGX website at the URL *https://www2.sgx.com/securities/company-announcements*.

Participation in AGM proceedings via "Live Webcast"

6. A member or their corporate representatives (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a "live" webcast via mobile phone, tablet or computer ("Live Webcast"). In order to do so, the member must pre-register by 3:00 p.m. on 26 December 2020 ("Registration Deadline"), at the URL: *https://agm.conveneagm.com/peceng* (the "PEC AGM website"), to create an account.

7. Following authentication of his/her/its status as a member, such member will receive an email on their authentication status and will be able to access the Live Webcast using the account created.

8. Members who have pre-registered by the Registration Deadline but do not receive the aforementioned email by 3.00 p.m. on 27 December 2020 should contact the Company's Share Registrar at the following email address: *RHTCAOscar@rhtcorporate.com*, with the following details included: (1) the member's full name; and (2) his/her/its identification/registration number.

Submission of questions prior to the AGM

9. Members may submit questions related to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations. The Company will endeavour to address questions which are substantial and relevant.

10. The questions must be submitted no later than 3.00 pm Singapore time on 17 December 2020 via one of the following means

    (a) the PEC AGM Website; or

    (b) by post, be lodged at the office of the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or

    (c) by email to *RHTCAOscar@rhtcorporate.com*.

11. If the questions are deposited in physical copy at the office of the Company's Share Registrar or sent via email, and in either case not accompanied by the completed and executed proxy form, the following details must be included with the submitted questions: (1) the full name of the shareholder; and (2) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

12. Please note that shareholders will not be able to ask questions at the AGM and accordingly, it is important for shareholders to submit their questions by the Submission Deadline. The Company will publish the responses to those questions at the Company's website at the URL *http://www.peceng.com/html/investor_shareholders.php*.

    In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for shareholders to submit completed questions by post, shareholders are strongly encouraged to submit completed questions electronically via the PEC AGM Website or email.

Voting by proxy

13. The Proxy Form must be submitted through any one of the following means:

    (a) by depositing a physical copy at the office of the Company's Share Registrar at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
    (b) by sending a scanned PDF copy by email to RHTCAOscar@rhtcorporate.com

    in each case, no later than 3.00 p.m. on 26 December 2020, and failing which, the Proxy Form will not be treated as valid.

14. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy 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 the Chairman of the AGM as proxy 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.

15. 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 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.

PEC LTD.

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

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investors") or the Supplementary Retirement Scheme ("SRS Investors") who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days prior to the date of the AGM.
2. This Proxy Form is not valid for use by CPF or SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

IMPORTANT NOTICE ON MEASURES TO MINIMISE COMMUNITY SPREAD OF COVID-19:

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

of ______________________________ (Address)

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

the Chairman of the Meeting as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of the Company to be convened and held by way of electronic means on Monday, 28 December 2020 at 3.00 p.m. and at any adjournment thereof.

I/We direct the Chairman of the AGM, being my/our proxy, to vote for or against, or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

No.	Resolutions relating to:	For	Against	Abstain
	ROUTINE BUSINESS			
1	Adoption of Directors' Statement and the Audited Financial Statements for the financial year ended 30 June 2020 **(Resolution 1)**			
2	Approval of Tax Exempt One-Tier Final Dividend **(Resolution 2)**			
3	Re-election of Mr Wong Peng as a Director **(Resolution 3)**			
4	Re-election of Ms Tan Whei Mien Joy as a Director **(Resolution 4)**			
5	Re-election of Mr Pek Hak Bin as a Director **(Resolution 5)**			
6	Approval of Directors' fees of S$285,000 for the financial year ending 30 June 2021, to be paid quarterly in arrears **(Resolution 6)**			
7	Re-appointment of Messrs Ernst & Young LLP as Auditors **(Resolution 7)**			
8	Any other business			
	SPECIAL BUSINESS			
9	Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act, Chapter 50 **(Resolution 8)**			
10	Renewal of Share Purchase Mandate **(Resolution 9)**			

* *Voting will be conducted by poll. If you wish the Chairman of the AGM, as your proxy, to cast all your votes for or against a Resolution, please indicate with a "✓" in the space provided under "For" or "Against". If you wish the Chairman of the AGM as your proxy to abstain from voting on a Resolution, please indicate with a "✓" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman of the AGM as your proxy is directed to vote "For" or "Against" or "Abstain" from voting. In the absence of specific directions, the appointment of the Chairman of the AGM as your proxy will be treated as invalid.*

Dated this ______________ day of ______________ 2020

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. The AGM is being convened, and will be held, by electronic means pursuant to COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of the notice of AGM (the "**Notice**") will not be sent to members. Instead, this Notice will be sent to members by electronic means via an announcement on the SGX website at the URL *https://www2.sgx.com/securities/company-announcements* and may be accessed at the Company's website at the URL *http://www.peceng.com/html/investor_shareholders.php*.
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   CPF or SRS Investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days prior to the date of the AGM.

AFFIX
POSTAGE
STAMP

PEC LTD.
c/o RHT Corporate Advisory Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

5. The instrument appointing the Chairman of the AGM as proxy must be deposited at the office of the Company's Share Registrar, at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712 or submitted via email to *RHTCAOscar@rhtcorporate.com*, in each case, not less than 48 hours before the time for holding the AGM and at any adjournment thereof and in default the instrument of proxy shall not be treated as valid.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed Proxy Forms by post, members are strongly encouraged to submit completed Proxy Forms electronically via email.
6. The Annual Report 2020 and the Letter to Shareholders dated 9 December 2020 in relation to the proposed renewal of the share purchase mandate may be accessed at the Company's website at the URL *http://www.peceng.com/html/investor_shareholders.php*, PEC AGM website (https://agm.conveneagm.com/peceng) and on the SGX website at the URL *https://www2.sgx.com/securities/company-announcements*.
7. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy 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 the Chairman of the AGM as proxy 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 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.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy 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 the Chairman of the AGM as proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy 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 the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 December 2020.

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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 cum Advisor)

Dr Foo Fatt Kah
(Lead Independent Director)

David Wong Cheong Fook
(Independent Director)

Joy Tan Whei Mien
(Independent Director)

Pek Hak Bin
(Independent Director)

Audit and Risk Management Committee

David Wong Cheong Fook
Chairman

Dr Foo Fatt Kah
Joy Tan Whei Mien
Pek Hak Bin

Nominating Committee

Joy Tan Whei Mien
Chairman

Dr Foo Fatt Kah
David Wong Cheong Fook
Pek Hak Bin

Remuneration Committee

Dr Foo Fatt Kah
Chairman

Joy Tan Whei Mien
David Wong Cheong Fook
Pek Hak Bin

Company Secretary

Abdul Jabbar Bin Karam Din, LLB (Hons)

Share Registrar

RHT Corporate Advisory Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

Independent Auditors

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge : Mr Ng Boon Heng
(since financial year ended 30 June 2017)

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
21 Collyer Quay
#08-01 HSBC Building
Singapore 049320

Oversea-Chinese Banking Corporation Limited
63 Chulia Street
#06-00 OCBC Centre East
Singapore 049514

Registered Office

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

Company Registration Number
198200079M

PEC LTD.

(Co. Registration No.:198200079M)

21 Shipyard Road, Singapore 628144
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F +65 6268 9488

Investor enquiries:
ir@peceng.com

Website:
www.peceng.com