PEC LTD.

CHARTING TOWARDS A SUSTAINABLE FUTURE

Annual Report **2022**

Contents

Charting Towards A Sustainable Future

Transitioning to a net-zero world is one of the greatest challenges humankind has faced. It calls for nothing less than a complete transformation of how we produce, consume, and move about. To keep global warming to no more than 1.5°C – as called for in the Paris Agreement – emissions need to be reduced by 45% by 2030 and reach net zero by 2050.

For PEC, the road ahead in Charting Towards a Sustainable Future calls for us to remain resilient, focused on adding 'green' capabilities that will strengthen our reputation in the changing energy and chemical sectors. We will continue to grow our market presence by investing in new facilities overseas, and improving cost efficiency and productivity through digitalisation.

We believe that these investments will ready PEC to actively participate in growth opportunities in EPC project works and maintenance services arising from our clients' energy transition journey in Asia and the Middle East.

Having already set out on our quest, we press ahead to further diversify our income streams and anchor our future despite the challenging operating environment, clouded by intense price competition, geopolitical tensions, inflation and a fragile world economy, as well as possibly new setbacks in the battle against COVID-19.

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.

PEC serves four main sectors - oil & gas, petrochemicals, oil & chemical terminals and pharmaceuticals – and is making good progress into the clean energy sector through our wholly-owned subsidiary, PEC Process Systems Pte Ltd, which designs and fabricates modular process and gas compression solutions.

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

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.

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, process and gas compression packages, electrical & instrumentation, testing & isolation, painting & blasting, scaffolding, insulation & refractories, fireproofing, rotating equipment 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.

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.

Sharpen Our Edge through Digitalisation

We continually implement strategic initiatives to deepen and widen our existing engineering and ICT (Information and Communications Technology) capabilities that take us forward in our digital transformation journey, sharpening our competitive edge. Our expanding range of innovative solutions, such as the integrated Turnaround Management System, enhance workflow processes, key operating data flow and overall productivity, preparing us well to serve the 'smart plants' of tomorrow.

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.

The 'Green' Energy Transition

Extending our capability in modular compression solutions to capture opportunities in offshore and onshore facilities; adopting new technologies in energy and hydrogen storage.

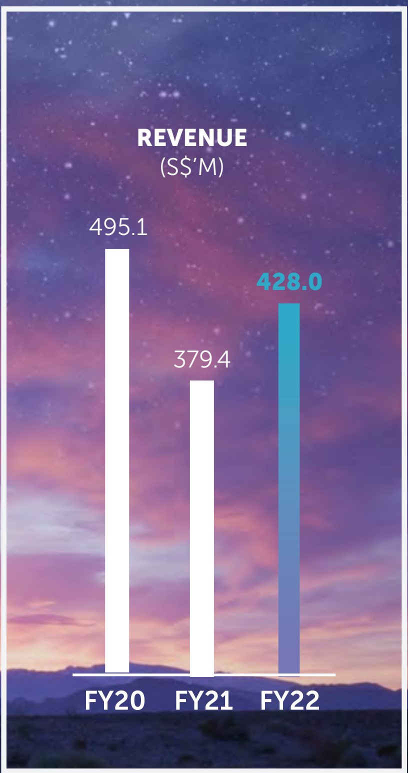
Ready

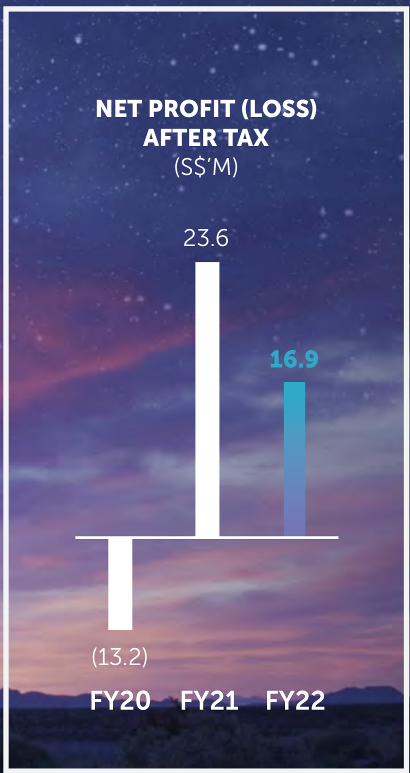
Financial Highlights

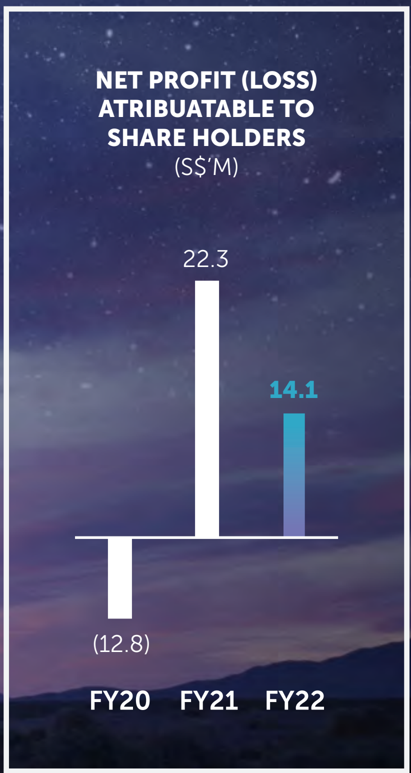
Key Financial Ratios	FY2020	FY2021	FY2022
(Loss)/Earnings per Share (cents)[1]	(5.0)	8.8	5.6
Net Asset Value per Share[2] (cents)	83.6	91.1	94.9
Gross gearing (%)[3]	8.9	6.7	5.6

Balance Sheet (S$'M)	FY2020	FY2021	FY2022
Non-current assets	126.9	118.1	107.6
Current assets	309.3	291.9	292.9
Current liabilities	192.9	146.8	125.8
Non-current liabilities	26.9	24.9	24.5
Shareholders' equity	212.8	232.0	241.6
Minority Interest	3.6	6.2	8.5

Cash Flow Statement (S$'M)	FY2020	FY2021	FY2022
Net cash generated from operating activities	36.3	55.8	20.7
Net cash used in investing activities	(16.8)	(2.8)	(1.1)
Net cash used in financing activities	(14.6)	(6.4)	(9.0)
Cash & cash equivalents at beginning of financial year	93.4	100.1	145.3
Cash & cash equivalents at end of financial year	100.1	145.3	157.6







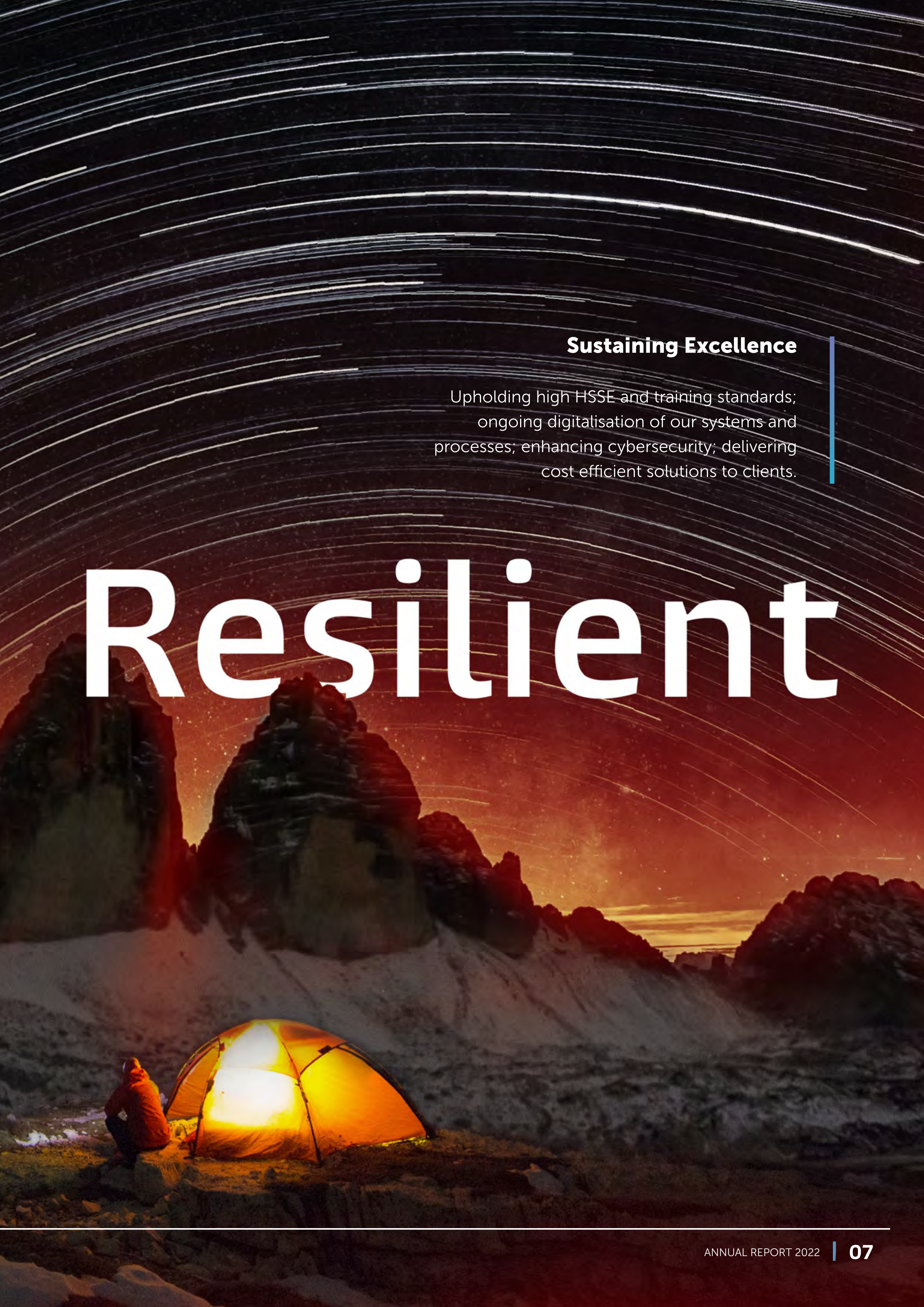
[1] *EPS is computed using the net proft attributable to Shareholders of the Company divided by weighted average number of ordinary sharesfor basic earnings.*
[2] *NAV per Share is computed by dividing NAV (which is net assets attributable to Shareholders of the Company) by the share capital as at the 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.*

Geographical Presence

Our Established And Strategically Located Network Of Engineering Facilities Spans Two Regions, Reaching And Serving Clients In Nine Countries.

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

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



Sustaining Excellence

Upholding high HSSE and training standards; ongoing digitalisation of our systems and processes; enhancing cybersecurity; delivering cost efficient solutions to clients.

Resilient

Chairman & CEO's Statement

Dear Shareholders,

We live in challenging times. Today, rising interest rates, surging global prices of food, energy and industrial commodities, as well as worsening geopolitical tensions have driven global inflation forecasts higher and dented the outlook for growth.

Reflecting the general mood around the world, the International Monetary Fund, in its latest July update entitled "Gloomy and More Uncertain", not only lowered its economic growth forecasts for 2022 and 2023, but also warned that the world economy may be on the cusp of a recession[1].

In spite of the challenging operating environment, the Group achieved a 13% higher revenue of S$428.0 million for the year ended 30 June 2022 (FY2022), mainly from the 28% year-on-year increase in contribution from the provision of maintenance services and turnaround work in the region. At the same time, the completion of contracts during the year, contributed to the project works revenue.

Group net profit, declined 28% to S$17.0 million, largely because of the provision for impairment losses on financial assets and contract assets of S$27.2 million. In FY2022, specific impairment of approximately S$22.0 million was provided for long overdue amounts related to an overseas completed project.

The balance sheet remained healthy as at 30 June 2022 with a net cash of S$144.1 million, supported by the Group's prudent cost and working capital management which generated a positive net cash flow from operating activities of S$20.7 million in FY2022.

Charting Towards a Sustainable Future

The horizon may be clouded with a few immediate issues such as inflation and the war in Ukraine, but what is clear is the irreversible trend in energy transition towards cleaner fuels for consumers and industries. As climate change gains traction globally, companies are being driven to change their business strategies and adopt low carbon practices. Commitments to a low carbon energy transition among many energy majors are accelerating, however these companies are continuing to allocate significant new investment to oil and gas projects as forecasts for global oil demand growth in 2022 and 2023 remain strong.

Our strategic focus therefore in Charting Towards a Sustainable Future calls for us to remain resilient, focused on adding 'green' capabilities that will strengthen our reputation and ready PEC to offer relevant and innovative maintenance and project works solutions for the changing energy and chemical sectors.

Resilient – Sustaining Excellence

The cornerstone of PEC's resilience continues to rest on its experienced management and team of well-trained and equipped workforce, guided by its well-tested and proven 5-pronged strategy[2]. These have seen us through past volatile industry cycles and will continue to position the Group well to seize opportunities during this period of structural change as a result of energy transition.

[1] *"Gloomy and More Uncertain", World Economic Outlook Update, 2022 July, International Monetary Fund*
[2] *Please refer to "Business Strategy" in this annual report*
[3] *Please refer to PEC's separate Sustainability Report 2022*

Digitalisation remains a key pillar in building up our resilience. During FY2022, the Group progressed with the development of our in-house Turnaround Management System (TMS), a web-based centralised digital system which helps us to manage all aspects of a complex turnaround. The TMS not only adds to our expanding range of innovative proprietary resource management solutions that enhance productivity and efficiency at work, but also testifies to our strong Information & Communication Technology (ICT) capabilities the Group has developed over the years.

With growing cyber threats in today's business environment, our ICT team has also been vigilantly strengthening and upgrading our cyber security defenses to safeguard our systems and processes from unauthorized access and hackers. This will help us achieve continuous improvements in cost, quality and productivity management.

Another pillar of the Group's operations is our people and their safety, health and well-being are important to us. Through sound and effective management of workplace safety health at our various premises, PEC has earned another 14 awards from the Workplace Safety and Health (WSH) Council in 2022, including a WSH Performance (Excellence) Award, the highest accolade given to an organisation who has received the Gold Award for three or more years consecutively. The Group's care for its people also extends to the community and environment around us through ongoing corporate social responsibility activities during the year[3].

Ready – The 'Green' Energy Transition

It is heartening to note that 'green' investments have been on the rise, albeit now largely in the clean transportation and renewable energy sectors[4]. On top of this, oil majors have already begun to look into incorporating CCUS (carbon capture, utilisation and storage) technologies into their processes, producing low-carbon energy products like biofuels, as well as converting waste plastics for feedstock, and renewable energy.

(L)
Robert Dompeling
Group Chief Executive Officer

(R)
Edna Ko Poh Thim
Executive Chairman

Chairman & CEO's Statement

Singapore has moved ahead too, initiating plans to transform Jurong Island into a sustainable energy and chemicals park as it serves to be a 'living' test bed for sustainable solutions.

Within PEC, our efforts towards sustainability[3] include the planned installation of solar panels on the rooftop of our head office at International Business Park, and other facilities in Tuas and Benoi to supplement our power needs.

However, our greater challenge in building a sustainable future is to expand our 'green' capabilities and global footprint to grow with our clients in their energy transition journey in Asia and the Middle East.

In this respect, I am pleased to update that the Group was awarded over S$50 million worth of contracts earlier this year which will add to its reputation in the design and development of modular process and gas compression solutions for offshore and onshore facilities.

Natural gas and liquefied natural gas (LNG) are convenient sources of low carbon energy and play an important role in decarbonisation during this phase of energy transition to the 'hydrogen' economy. This and the deepening energy crisis, largely due to the Ukraine war and ensuing sanctions placed on Russian gas exports, are expected to drive demand and investments in new LNG infrastructure in the medium term[5].

While PEG's capability in modular compression solutions helps diversify our project works revenue, expanding our capability in the cryogenics segment, such as the storage and handling of clean fuels like biofuels and liquefied hydrogen or hydrogen-based fuels (such as ammonia), will strengthen the Group's overall position to work on hydrogen and 'green' fuels of the future. PEC also sees potential in the Electrical House (e-house is a customized pre-assembled and pre-tested modular power substation) market which is expected to grow as increasing electricity consumption and the need to install new power grids are likely to drive the demand for e-houses in the near future.

Besides staying relevant to our customers, sustainability is also about being cost competitive. This is becoming increasingly difficult in Singapore because of rising wages and the limited pool of skilled local and foreign engineers and workers, exacerbated by the hiring ruling for the process industry which will lower the employment of foreigners from seven today to five for every Singaporean by 2024. Nevertheless, Singapore remains a key market for the Group's maintenance and turnaround expertise as well as for future 'green' projects.

As the Middle East is another promising market for PEC, especially in chemicals and 'green' projects, we are exploring opportunities to add new engineering and fabrication facilities in Oman and the UAE where we already have a presence. These planned facilities, together with our well established base in Fujairah will position the Group well to capture fresh opportunities in the region's growing pipeline of maintenance and project works contracts.

The Middle East continues to top world oil exports today and is expected to become a dominant world producer and exporter of natural gas and LNG as it rolls out its planned newbuild and clean energy projects over the medium term[6,7,8].

4 "Energy Transition Drew Record $755 Billion of Investment in 2021", 27 January 2022, Bloomberg
5 "LNG investments set to surge up to 2024", 25 August 2022, oilreviewmiddleeast.com.
6 "Middle East's global gas processing capacity forecast to grow through 2025", 15 July 2021, worldoil.com
7 "Adnoc to embark on major carbon capture projects at existing gas plants", 19 August 2022, upstreamonline.com
8 "Shell and PDO team up for CCUS projects in Oman, 26 May 2022, upstreamonline.com; "Oman's Renewable Energy Projects", 27 April 2020, www.trade.gov/market-intelligence/omans-renewable-energy-projects

> "...Charting Towards a Sustainable Future calls for us to remain resilient, focused on adding 'green' capabilities that will strengthen our reputation and ready PEC to offer relevant and innovative maintenance and project works solutions for the changing energy and chemical sectors."

Prospects and Outlook

Prospects in the global energy and chemicals sectors have picked up since the beginning of 2021 and these sectors are expected to increase investments in decarbonisation and recycling technologies to lower their carbon footprint.

While the immediate operating environment remains challenging, intensified by keen price competition and persistent cost pressures, the Group remains cautiously optimistic in its outlook for projects and maintenance services over the medium term, especially in Singapore, the Middle East, China and Vietnam.

The Group will also continue to focus its efforts on widening its market reach and capabilities, especially in the area of modular solutions to capture opportunities in the rising trend in renewable and clean energy transition in Asia and the Middle East.

The Group's orderbook stood at S$128.4 million as at 30 June 2022, excluding maintenance contracts.

Proposed Dividend

As an appreciation of the unwavering support and loyalty of our shareholders, the Board has proposed a final dividend of 2.5 cents per ordinary share and a special dividend of 1.0 cent per ordinary share (one-tier tax-exempt) for FY2022. If approved by shareholders at the Annual General Meeting scheduled for 27 October 2022, the total payout will be S$8.9 million.

Acknowledgments and Appreciation

On behalf of the Board, we thank all our staff for their steadfast commitment and dedication to always deliver their best. Your good teamwork, willingness to persevere and wholehearted support for the Group have enabled us to steer PEC firmly ahead and sharpen our competitive edge in the process industry.

The Board would like to record our heartfelt appreciation to Dr Foo Fatt Kah for his invaluable contribution and guidance during his term as lead independent director since 2009 and wish him all the best in his future endeavours. At the same time, we welcome Mr Winston Ngan Wan Sing who has been an Independent Director since 1 August 2022. His varied and long experience in the financial services sector has strengthened the Board's diversity and competency.

We also thank our clients and business partners for their ever encouraging support and faith in PEC's ability to adapt to the changing landscape and chart a rewarding and sustainable future for all stakeholders.

Edna Ko Poh Thim
Executive Chairman

Robert Dompeling
Group Chief Executive Officer

Board Of Directors

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1 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.

2 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.

3 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.

4 David Wong Cheong Fook
Lead Independent Director

Mr Wong joined the board as an independent director in January 2014 and was appointed as Lead Independent Director with effect from 1 December 2021. He is the Chairman of our Audit and Risk Management Committee.

Mr Wong is also a director at PNG Sustainable Development Programme, and Deep Identity Pte Ltd. In addition, he serves as the Chairman of Republic Polytechnic.

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 and the Meritorious Service Medal in 2022.

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.

5 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.

6 Pek Hak Bin
Independent Director

Mr Pek joined the board as an independent director on 1 July 2020 and was appointed as Chairman of the Remuneration Committee with effect from 1 December 2021.

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.

7 Winston Ngan Wan Sing
Independent Director

Mr Ngan joined the board as an independent director on 1 August 2022.

He has more than 26 years of professional services experience and is currently an Independent Non-Executive Director of HSBC Bank (Singapore) Limited, Azalea Asset Management Pte. Ltd and Vinfast Trading & Investment Pte. Ltd. Formerly a partner at Ernst & Young LLP (EY), Mr Ngan led the growth and strategic priorities of EY's financial services assurance practices in ASEAN. He is also the Non-Executive President of the Society for the Physically Disabled.

Mr Ngan holds a Bachelor of Science (First Class Honours) degree in Electronic and Electrical Engineering from Loughborough University of Technology UK and a Master of Business Administration (Accounting) from York University, Canada. He is a member of the Institute of Singapore Chartered Accountants, Canadian Institute of Chartered Accountants and Certified Public Accountant (CPA) Australia.

Financial Contents

Corporate Governance Report

PEC Ltd. (the "**Company**") is committed to achieving and maintaining a high standard of corporate governance within the Company and its subsidiaries (the "**Group**") in complying with the Code of Corporate Governance 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 2022 ("**FY2022**") 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.

Corporate Governance Report

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

Subsequent to FY2022, Mr Ngan Wan Sing Winston ("Winston Ngan") has been appointed as an Independent Director of the Company on 1 August 2022. The appointment of Winston Ngan was as a result of the Nominating Committee taking very active steps in searching for another independent director to serve on the Board subsequent to Dr Foo Fatt Kah's retirement as independent director on 27 October 2021. Winston Ngan was given a letter of appointment, setting out his duties, obligations and the terms of appointment, and was briefed on the Group's structure, business, operations and policies as well as given a tour of the Company's operating sites. Being a First-Time Director, Winston Ngan has undergone training in the roles and responsibilities of a director of a listed issuer within one year from the date of his appointment to the Board as prescribed by the SGX-ST, in accordance with Rule 210(5)(a) and Practice Note 2.3 of the SGX Listing Rules.

All Directors exercise due diligence and independent judgment in making decisions objectively in the best interest of the Group. Where the Director faces a conflict or potential conflict of interest in relation to any matter, he/she will immediately declare his/her interest at the meeting of the Directors or send a written notice to the Company, setting out the details of his/her interest and the conflict, and recuse from any discussions on the matter and abstain from participating in any Board decision. 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 fifth sustainability report for FY2022 can be found on the Company's Investor Relations webpage 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 FY2022 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	3	NA	NA	NA	NA	NA	NA
Dr Foo Fatt Kah(1)	4	3	4	3	2	1	1	1
David Wong Cheong Fook	4	4	4	4	2	2	1	1
Tan Whei Mien, Joy	4	4	4	4	2	2	1	1
Pek Hak Bin	4	4	4	4	2	2	1	1
Ngan Wan Sing Winston(2)	NA	NA	NA	NA	NA	NA	NA	NA

(1) Dr Foo Fatt Kah retired as the Lead Independent Director of the Company at the conclusion of the Annual General Meeting held on 27 October 2021.
(2) Mr Ngan Wan Sing Winston was appointed as an Independent Director with effect from 1 August 2022.

Corporate Governance Report

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.

Corporate Governance Report

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.

During FY2022 and as at the date of this report, 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 summarised as follows:

<u>Executive Directors</u>

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

<u>Non-Executive Directors</u>

David Wong Cheong Fook	(Lead Independent Director)
Tan Whei Mien, Joy	(Independent Director)
Wong Peng	(Non-Independent Director)
Pek Hak Bin	(Independent Director)
Ngan Wan Sing Winston(1)	(Independent Director)(1)
Dr Foo Fatt Kah(2)	(Lead Independent Director)(2)

(1) Ngan Wan Sing Winston was appointed on 1 August 2022
(2) Dr Foo Fatt Kah retired on 27 October 2021

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. There are no Independent Directors who have served the Board for more than nine years since the date of their appointment as Independent Director of the Company.

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.

The Company has complied with the relevant provisions as majority of the board members and non-executive independent directors as at the date of this report. As mentioned under item (A) Board Matters, the Nominating Committee took very active steps in search for a replacement independent director to serve on the board subsequent to Dr Foo Fatt Kah's retirement as independent director on 27 October 2021.

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 70 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 August 2022.

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.

Corporate Governance Report

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 Mr David Wong Cheong Fook as the Lead Independent Director, in place of Dr Foo Fatt Kah, 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.

During FY2022 and as at the date of this report, the NC comprises entirely Non-Executive and Independent Directors:

Tan Whei Mien, Joy (Chairman)
David Wong Cheong Fook
Pek Hak Bin
Ngan Wan Sing Winston[1]
Dr Foo Fatt Kah[2]

[1] Ngan Wan Sing Winston was appointed on 1 August 2022
[2] Dr Foo Fatt Kah retired on 27 October 2021

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

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

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

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

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

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.

Corporate Governance Report

Pursuant to the one-third rotation rule under Article 114 of the Company's Constitution, Ms Edna Ko Poh Thim and Mr David Wong Cheong Fook will retire at the forthcoming annual general meeting ("**AGM**"). Ms Edna Ko Poh Thim and Mr David Wong Cheong Fook have submitted themselves for re-appointment at the forthcoming AGM. The NC is satisfied that Ms Edna Ko Poh Thim and Mr David Wong Cheong Fook who are retiring 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 Ngan Wan Sing Winston, who joined the board on 1 August 2022, 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	Retirement by rotation (Article 114)
Robert Dompeling	Group Chief Executive Officer	1 July 2007	27 October 2021	None	None	None	Not applicable.
Wong Peng	Non-Executive and Non-Independent Director	23 December 1988	28 December 2020	None	None	None	Not applicable.
David Wong Cheong Fook	Lead Independent Director	8 January 2014	23 October 2019	None	None	*Chairman*, Republic Polytechnic	Retirement by rotation (Article 114)
Tan Whei Mien, Joy	Independent Director	27 October 2017	28 December 2020	None	None	*Partner*, WongPartnership LLP *Director*, NTUC Income Co-operative Limited *Director*, Singapore Health Services Pte Ltd, *Director*, Singapore Repertory Theatre Ltd	Not Applicable.
Pek Hak Bin	Independent Director	01 July 2020	28 December 2020	None	None	None	Not applicable.
Ngan Wan Sing Winston	Independent Director	1 August 2022	Nil	None	None	Director, HSBC Bank (Singapore) Limited, Azalea Asset Management Pte. Ltd. Director, Vinfast Trading and Investment Pte. Ltd.	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.

During FY2022 and as at the date of this report, The RC comprises entirely Non-Executive and Independent Directors:

Pek Hak Bin (Chairman)
David Wong Cheong Fook
Tan Whei Mien, Joy
Ngan Wan Sing Winston[1]
Dr Foo Fatt Kah[2]

(1) Ngan Wan Sing Winston was appointed on 1 August 2022
(2) Dr Foo Fatt Kah retired on 27 October 2021

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 33,931,836 shares have been granted under the Plan. Details of the Plan are set out in the Directors' Statement on pages 34 to 39.

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 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 FY2022 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$1,750,000 to S$2,000,000						
Edna Ko Poh Thim	14	84	–	1	1	100
Robert Dompeling	14	84	–	1	1	100
Below S$100,000						
Wong Peng	–	–	100	–	–	100
Dr Foo Fatt Kah[(4)]	–	–	100	–	–	100
David Wong Cheong Fook	–	–	100	–	–	100
Tan Whei Mien, Joy	–	–	100	–	–	100
Pek Hak Bin	–	–	100	–	–	100

(1) These are under the service contracts. Under the service contracts, each of our Executive Directors is also entitled to a performance bonus (the "**Performance Bonus**") in respect of each financial year, which is calculated based on the consolidated profit before tax and extraordinary items ("**PBT**") (before deducting for such Performance Bonus).
(2) The Directors' fees are subject to the approval of the shareholders at the AGM.
(3) Conditional award of performance shares under the Plan.
(4) Dr Foo Fatt Kah has retired as a Lead Independent Director of the Company at the conclusion of the Annual General Meeting held on 27 October 2021.

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 %	Director's fee %	Benefits in Kind %	Conditional award of performance shares[(1)] %	Total %
S$200,000 to S$450,000						
Yeo Ker Soon	49	46	1	–	4	100
Tan Meng Sai	48	48	–	–	4	100
Toh Boon Chuan	46	50	–	–	4	100
Tan Teck Seng	56	40	–	–	4	100
Goh Eng Mui	76	18	–	–	6	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 $1,800,756 for FY2022.

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 FY2022.

To preserve confidentiality on the remuneration policies of the Company and given the sensitivity and highly competitive business environment that the Group operates in, 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. Instead, the Company has disclosed the remuneration of directors in remuneration bands, the level and mix of remuneration in percentage terms. Accordingly, the Board is of the view that such disclosure can maintain transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation consistent with the intent of Principle 8 of the Code."

(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 of Finance and other key management personnel that:

(a) the financial records of the Group have been properly maintained and the financial statements for FY2022 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 2022.

Financial risks relating to the Group are set out in Note 38 to the financial statements of this Annual Report on pages 105 to 113.

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.

During FY2022 and as at the date of this report, The ARMC comprises entirely Non-Executive and Independent Directors:

David Wong Cheong Fook (Chairman)
Tan Whei Mien, Joy
Pek Hak Bin
Ngan Wan Sing Winston[(1)]
Dr Foo Fatt Kah[(2)]

(1) Ngan Wan Sing Winston was appointed on 1 August 2022
(2) Dr Foo Fatt Kah retired on 27 October 2021

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 and 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 FY2022 are disclosed under Note 7 on page 73 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) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

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.

Pursuant to Covid-19 advisories issued by the relevant authorities in Singapore and the related safe distancing measures in Singapore, the general meetings of the Company in FY2021 were held by way of electronic means and shareholders were not able to attend the general meetings in person. To enable shareholders to participate in and vote effectively at general meetings held by way of electronic means, the Company set out detailed information on the arrangements relating to attendance at the general meetings, submission of questions in advance of the general meetings, addressing of substantial and relevant questions prior to or at the general meetings, and voting procedures for the general meetings. The forthcoming AGM will be held, in a wholly physical format, at 14 International Business Park, Singapore 609922 on 27 October 2022, pursuant to the Covid-19 Temporary Measures Order and the Checklist. There will be no option for shareholders to participate virtually. Arrangements relating to attendance at the AGM, submission of questions in advance of, or at, the AGM, and voting at the AGM by shareholders or their duly appointed proxy(ies), are set out in a separate announcement released on SGXNet on 12 October 2022.

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 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.

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 minutes of general meetings which include substantial and relevant comments or queries from shareholders and responses from the Board and the Management are made available to shareholders via SGXNet or on the Company's' website at the URL http://www.peceng.com/html/investor.php.

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.

Engagement 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 has an internal investor relations function to facilitate the communications with the stakeholders, attend to their queries or concerns as well as to keep the investors apprised of the Group's corporate developments and financial performance.

To enable the stakeholders to contact the Company and ensure communication of information to shareholders and the investment community is communicated effectively, the Company has set up a dedicated Investor Relations (IR) webpage http://www.peceng.com/html/investor.php and investors can send enquiries through email ir@peceng.com. Investors can also sign up for email alerts to receive the latest announcements from the Company.

All disclosures of materials information are submitted to SGX-ST through SGXNet, and are made available on the Company's website at the URL http://www.peceng.com/html/investor.php.

(E) MANAGING STAKEHOLDERS RELATIONSHIP

Engagement with Stakeholders

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.

Since 2019, the Company has established a sustainability framework that outline the Group's sustainability efforts. The Group's Sustainability Report is prepared in accordance with the SGX-ST's Sustainability Report Guide and with reference to the core option of the Global Reporting Initiative (GRI) framework. The Sustainability Report highlights the environment compliance, employment, occupational health and safety, anti-corruption and etc. The Company delivers long-term value to its stakeholders through sustainable business practices and corporate social responsibility.

The stakeholders have been identified as those who are impacted who have direct influence on the business and operations of the Group. Six stakeholders' groups have been identified through an assessment of their significance to the Group's business and operations. They are namely, customers, employees, suppliers regulators, investors and communities. Our engagement with material stakeholder groups, including key issues and engagement platforms, are disclosed in the Sustainability Report. The Group regularly engaged its stakeholder through various channels to ensure that the business interest are aligned.

Stakeholders who wish to know more about the Group's business, governance practices can visit its website at the URL http://www.peceng.com. Our Company website includes an investor relations section containing the Company's financial highlights, Annual Report, corporate announcements, data protection policy and whistle-blowing policy.

(F) 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 FY2022, the Company has complied with Rule 1207(19) of the Listing Manual.

(G) INTERESTED PERSON TRANSACTIONS

The aggregate value of the interested person transactions carried out during FY2022 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
Wong Peng	155	–

(H) 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.

Directors' statement

The directors are pleased 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 2022.

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 2022 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
David Wong Cheong Fook
Tan Whei Mien, Joy
Pek Hak Bin
Ngan Wan Sing Winston

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 1967, 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	35,505,844	35,505,844	85,750,000	85,750,000
Robert Dompeling	1,725,844	1,725,844	–	–
Wong Peng	4,594,056	4,594,056	–	–
David Wong Cheong Fook	78,000	78,000	–	–

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONT'D)

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 July 2022.

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.

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

Principal Terms of the Plan (cont'd)

Grant of Awards

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

Vesting of Awards

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

Size of the Plan

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

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

Duration of the Plan

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

The Plan is administered by the Committee consisting of all the Board members, namely, Ms Edna Ko Poh Thim, Mr Robert Dompeling, Mr Wong Peng, Mr David Wong Cheong Fook, Ms Tan Whei Mien, Joy, Mr Pek Hak Bin and Ngan Wan Sing Winston. 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.

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

Principal Terms of the Plan (cont'd)

As at 30 June 2022, the aggregate number of shares comprised in Awards granted pursuant to the Plan which have not been released amounted up to 24,889,805 (2021: 24,889,805) 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.

Directors' statement

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

Principal Terms of the Plan (cont'd)

	Award date	Aggregate number of Shares under Awards granted	Aggregate number of Shares released upon vesting
For directors of the Company:			
Edna Ko Poh Thim	1 December 2016	Up to 199,177	Forfeited
Robert Dompeling	1 December 2016	Up to 199,177	Forfeited
Wong Peng	1 December 2016	Up to 199,177	Forfeited
For other employees of the Company	1 December 2016	Up to 4,958,025	Forfeited
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.

Directors' statement

AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

The ARMC comprises entirely non-executive independent directors, namely, Mr David Wong Cheong Fook (Chairman), Ms Tan Whei Mien, Joy, Mr Pek Hak Bin and Ngan Wan Sing Winston. The ARMC has performed the primary functions in accordance with section 201B (5) of the Singapore Companies Act 1967, 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
29 September 2022

Independent Auditor's Report

For the financial year ended 30 June 2022
Independent Auditor's Report to the Members of PEC Ltd.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of PEC Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated balance sheet of the Group and the balance sheet of the Company as at 30 June 2022, 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 1967 (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 2022 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 judgment, 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.

Key audit matters (cont'd)

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 $201,595,444 of revenue from project works and as at year end, the Group has $47,081,043 of contract assets and $7,717,451 of contract liabilities. Significant management assumptions are required in estimating the total contract costs and the recoverable amount of variation works that affect the completion progress and the amount of revenue and profit recognised. The subjectivity involved in these assessments means that any changes in the assumptions used could have a significant impact on the results of the Group. As such, we determined this to be a key audit matter.

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

- Obtained an understanding of internal controls with respect to project management, project results estimation process and accounting for project contracts.
- Discussed the status of projects in progress with the management and project managers. With the knowledge gained from those discussions and the results of our audit procedures, we assessed the reasonability of the forecasted results of the projects, including the effect of variation orders.
- Assessed the mathematical accuracy of the revenue and profit computations 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 *Contract revenue* and Note 4 *Revenue*.

Impairment of trade receivables

The gross balance of the Group's trade receivables as at 30 June 2022 is $114,495,042, against which an allowance for expected credit loss ("ECL") of $38,191,997 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 current market condition. As disclosed in Note 3 *Key accounting estimates, assumptions and judgments* to the financial statements, these assessments involved significant management judgment and estimates. Accordingly, we determined that this is a key audit matter.

Key audit matters (cont’d)

Impairment of trade receivables (cont’d)

As part of our audit, we, amongst others:

- Obtained an understanding of the Group’s processes and controls relating to the monitoring of trade receivables including review of credit risks of customers.

- Discussed with management on their assessment of the collectability of trade receivables. Where applicable, we 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 analysed in accordance to days past due by grouping customers based on customer profiles, taking into consideration the economic situation and external information in determining the provision rates.

- Assessed management’s assumptions used to determine ECL for long overdue trade receivables through testing of the accuracy of ageing of the trade receivables and using aging analyses and consider their specific profiles and risks.

- Assessed the adequacy of the Group’s disclosures in Note 3.2 *Key Sources of Estimation Uncertainty*, Note 17 *Trade receivables* and Note 38 *Financial Risk Management Objectives and Policies (a) Credit risk*.

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 judgment and maintain professional scepticism throughout the audit. We also:

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

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

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

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

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

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

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.

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

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 Adrian Koh.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

29 September 2022

Consolidated Statement of Comprehensive Income

For the financial year ended 30 June 2022

	Note	2022 $	2021 $
Revenue	4	427,982,119	379,383,954
Cost of sales		(303,346,849)	(291,903,347)
Gross profit		124,635,270	87,480,607
Other operating income	5	6,892,126	12,697,598
Other items of expenses			
Administrative expenses		(32,739,971)	(30,336,167)
(Impairment losses)/write-back on financial assets and contract assets	7	(27,169,675)	4,534,556
Other operating expenses		(43,654,282)	(48,186,710)
Finance expenses	6	(1,089,952)	(1,188,123)
Share of results of associate		543,819	839,273
Profit before tax	7	27,417,335	25,841,034
Income tax expense	8	(10,476,989)	(2,256,961)
Profit for the year		16,940,346	23,584,073
Profit for the year attributable to:			
Owners of the Company		14,143,430	22,334,104
Non-controlling interests		2,796,916	1,249,969
		16,940,346	23,584,073
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		–	(323)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		932,296	(1,976,277)
Other comprehensive income for the year, net of tax		932,296	(1,976,600)
Total comprehensive income for the year		17,872,642	21,607,473
Total comprehensive income for the year attributable to:			
Owners of the Company		15,315,248	20,492,910
Non-controlling interests		2,557,394	1,114,563
		17,872,642	21,607,473
Earnings per share (cents per share)			
Basic	33	5.6	8.8
Diluted	33	5.5	8.8

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

Balance Sheets

As at 30 June 2022

	Note	Group 2022 $	Group 2021 $	Company 2022 $	Company 2021 $
Non-current assets					
Property, plant and equipment	9	78,256,724	83,533,859	35,645,246	38,637,279
Right-of-use assets	10	20,022,095	19,456,151	14,107,443	15,008,751
Investment properties	11	5,235,512	5,617,598	–	–
Intangible assets	12	48,683	56,533	48,683	56,533
Investment in subsidiaries	14	–	–	53,440,553	54,737,442
Investment in an associate	15	–	6,043,800	–	354,320
Investment securities	16	1,143	1,143	1,143	1,143
Prepayments		797,549	1,076,227	–	–
Deferred tax assets	26	3,223,710	2,315,439	2,825,441	2,248,042
		107,585,416	118,100,750	106,068,509	111,043,510
Current assets					
Contract assets	4	47,081,043	41,690,097	16,349,665	20,468,413
Inventories	18	1,064,716	597,140	–	–
Prepayments		1,325,874	2,201,884	495,295	530,952
Capitalised contract costs	4	44,199	11,867,381	–	–
Trade receivables	17	76,303,045	81,965,887	45,025,611	55,141,838
Other receivables and deposits	19	9,403,075	8,232,118	2,585,540	19,286,648
Loans due from subsidiaries	20	–	–	21,001,878	9,825,672
Cash and short-term deposits	21	157,645,315	145,319,977	74,738,745	46,826,405
		292,867,267	291,874,484	160,196,734	152,079,928
Total assets		400,452,683	409,975,234	266,265,243	263,123,438
Current liabilities					
Contract liabilities	4	7,717,451	42,099,383	762,788	1,560,000
Provisions	22	7,940,286	7,314,677	2,830,933	4,110,091
Income tax payable		9,063,920	2,054,283	1,345,444	248,059
Loans and borrowings	23	9,539,229	11,304,340	8,958,350	10,000,000
Trade payables	24	20,040,816	18,838,152	12,251,997	16,906,575
Other payables and accruals	25	69,048,579	63,707,740	38,970,366	33,962,934
Lease liabilities	10	2,462,076	1,524,682	931,858	1,024,683
		125,812,357	146,843,257	66,051,736	67,812,342
Net current assets		167,054,910	145,031,227	94,144,998	84,267,586

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

Balance Sheets

As at 30 June 2022

	Note	Group 2022 $	Group 2021 $	Company 2022 $	Company 2021 $
Non-current liabilities					
Provisions	22	2,960,079	2,865,465	2,810,088	2,720,672
Deferred tax liabilities	26	117,513	71,798	–	–
Loans and borrowings	23	3,984,510	4,347,340	–	–
Lease liabilities	10	17,466,448	17,619,126	13,767,765	14,398,557
		24,528,550	24,903,729	16,577,853	17,119,229
Total liabilities		150,340,907	171,746,986	82,629,589	84,931,571
Net assets		250,111,776	238,228,248	183,635,654	178,191,867
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)	(575,953)	(575,953)	(575,953)
Statutory reserve	28	2,481,085	2,481,085	–	–
Retained earnings		184,989,047	177,211,713	124,779,190	119,944,313
Fair value reserve	29	(12,082)	(12,082)	(12,082)	(12,082)
Premium paid on acquisition of non-controlling interests	30	(4,841,041)	(4,841,041)	–	–
Foreign currency translation reserve	31	81,356	(1,090,462)	–	–
Share-based compensation reserve		608,910	–	608,910	–
		241,566,911	232,008,849	183,635,654	178,191,867
Non-controlling interests		8,544,865	6,219,399	–	–
Total equity		250,111,776	238,228,248	183,635,654	178,191,867
Total equity and liabilities		400,452,683	409,975,234	266,265,243	263,123,438

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 2022

	Note	Attributable to owners of the Company										
		Share capital	Treasury shares	Statutory reserve	Retained earnings	Fair value reserve	Premium paid on acquisition of non controlling interests	Share-based compensation reserve	Foreign currency translation reserve	Equity attributable to owners of the Company, total	Non-controlling interests	Equity, total
		$	$	$	$	$	$	$	$	$	$	$
Group												
At 1 July 2021		58,835,589	(575,953)	2,481,085	177,211,713	(12,082)	(4,841,041)	–	(1,090,462)	232,008,849	6,219,399	238,228,248
Profit for the year		–	–	–	14,143,430	–	–	–	–	14,143,430	2,796,916	16,940,346
Other comprehensive income												
Net fair value losses on equity instruments at FVOCI		–	–	–	–	–	–	–	–	–	–	–
Foreign currency translation		–	–	–	–	–	–	–	1,171,818	1,171,818	(239,522)	932,296
Other comprehensive income for the year, net of tax		–	–	–	–	–	–	–	1,171,818	1,171,818	(239,522)	932,296
Total comprehensive income for the year		–	–	–	14,143,430	–	–	–	1,171,818	15,315,248	2,557,394	17,872,642
Contributions by and distributions to owners												
Dividends on ordinary shares	32	–	–	–	(6,366,096)	–	–	–	–	(6,366,096)	(231,928)	(6,598,024)
Grant of performance shares to employees		–	–	–	–	–	–	608,910	–	608,910	–	608,910
Total transactions with owners in their capacity as owners		–	–	–	(6,366,096)	–	–	608,910	–	(5,757,186)	(231,928)	(5,989,114)
Changes in ownership interests in subsidiaries												
Dilution of interest in subsidiary	14	–	–	–	–	–	–	–	–	–	–	–
Disposal of subsidiary		–	–	–	–	–	–	–	–	–	–	–
Others												
Transfer of loss on disposal of equity instruments at FVOCI		–	–	–	–	–	–	–	–	–	–	–
At 30 June 2022		58,835,589	(575,953)	2,481,085	184,989,047	(12,082)	(4,841,041)	608,910	81,356	241,566,911	8,544,865	250,111,776

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 2022

	Note	Attributable to owners of the Company									
		Share capital $	Treasury shares $	Statutory reserve $	Retained earnings $	Fair value reserve $	Premium paid on acquisition of non-controlling interests $	Foreign currency translation reserve $	Equity attributable to owners of the Company, total $	Non-controlling interests $	Equity, total $
Group											
At 1 July 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
Profit for the year		–	–	–	22,334,104	–	–	–	22,334,104	1,249,969	23,584,073
Other comprehensive income											
Net fair value losses on equity instruments at FVOCI		–	–	–	–	(323)	–	–	(323)	–	(323)
Foreign currency translation		–	–	–	–	–	–	(1,840,871)	(1,840,871)	(135,406)	(1,976,277)
Other comprehensive income for the year, net of tax		–	–	–	–	(323)	–	(1,840,871)	(1,841,194)	(135,406)	(1,976,600)
Total comprehensive income for the year		–	–	–	22,334,104	(323)	–	(1,840,871)	20,492,910	1,114,563	21,607,473
Contributions by and distributions to owners											
Dividends on ordinary shares	32	–	–	–	(1,273,219)	–	–	–	(1,273,219)	–	(1,273,219)
Total transactions with owners in their capacity as owners		–	–	–	(1,273,219)	–	–	–	(1,273,219)	–	(1,273,219)
Changes in ownership interests in subsidiaries											
Dilution of interest in subsidiary	14	–	–	–	–	–	–	–	–	1,546,577	1,546,577
Disposal of subsidiary		–	–	–	–	–	–	–	–	6,023	6,023
Others											
Transfer of loss on disposal of equity instruments at FVOCI		–	–	–	(1,675)	1,675	–	–	–	–	–
At 30 June 2021		58,835,589	(575,953)	2,481,085	177,211,713	(12,082)	(4,841,041)	(1,090,462)	232,008,849	6,219,399	238,228,248

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 2022

	Note	2022 $	2021 $
Operating activities:			
Profit before tax		27,417,335	25,841,034
Adjustments for:			
Interest income	5	(471,928)	(451,796)
Gain on disposal of property, plant and equipment, net	5	(32,573)	(908,322)
Gain on disposal of investment properties	5	(125,714)	–
Gain on liquidation of a subsidiary	5	–	(127,931)
Gain on de-recognition of leases	5	–	(3,018)
Interest expense	6	1,089,952	1,188,123
Amortisation of intangible assets	7	7,850	7,850
Amortisation of capitalised contract costs	4	12,230,661	9,524,539
Depreciation of property, plant and equipment	7	11,738,650	12,037,650
Depreciation of right-of-use assets	7	2,038,096	2,212,072
Depreciation of investment properties	7	158,392	154,758
Impairment losses/(Write-back) on financial assets and contract assets	7	27,169,675	(4,534,556)
Write-back of impairment losses on property, plant and equipment	7	–	(19,794)
Provisions, net		227,593	481,730
Share based payment		608,910	–
Share of results of associate		(543,819)	(839,273)
Unrealised exchange differences		(2,442,963)	1,407,558
Operating cash flows before changes in working capital		79,070,117	45,970,624
Increase in contract assets		(7,391,725)	(5,579,823)
Decrease in contract liabilities		(34,845,038)	(24,541,090)
Increase in capitalised contract costs		(396,228)	(938,362)
Decrease/(increase) in inventories		447,896	(146,788)
(Increase)/decrease in trade receivables, other receivables and deposits, and prepayments		(13,680,320)	63,729,007
Increase/(decrease) in trade payables, other payables and accruals		2,453,478	(18,597,899)
Cash flows generated from operations		25,658,180	59,895,669
Interest paid		(1,007,532)	(1,096,788)
Interest received		471,928	451,796
Tax paid		(4,407,973)	(3,470,538)
Net cash flows generated from operating activities		20,714,603	55,780,139

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 2022

	Note	2022 $	2021 $
Investing activities:			
Purchase of property, plant and equipment	9	(5,821,147)	(4,583,805)
Purchase of investment property	11	(152,595)	–
Dividend income from an associate	15	3,042,619	245,000
Proceeds from disposal of property, plant and equipment		47,803	1,056,931
Proceeds from disposal of investment property		461,000	–
Net cash inflow from acquisition of subsidiary		1,309,388	–
Net cash outflow from disposal of subsidiary		–	(2,113)
Proceeds from liquidation of subsidiaries	14	–	504,333
Net cash flows used in investing activities		(1,112,932)	(2,779,654)
Financing activities:			
Dividends paid on ordinary shares	32	(6,366,096)	(1,273,219)
Dividends paid to non-controlling interest		(231,928)	–
Proceeds from borrowings	23	1,000,704	5,610,261
Repayment of borrowings	23	(3,089,067)	(8,855,754)
Investment by subsidiary's non-controlling interest		1,561,492	–
Payment of principal portion of lease liabilities	10	(1,733,448)	(1,897,041)
Leases paid at lease commencement		(37,055)	–
Net cash flows used in financing activities		(8,895,398)	(6,415,753)
Net increase in cash and cash equivalents		10,706,273	46,584,732
Effect of exchange rate changes on cash and cash equivalents		1,619,065	(1,333,741)
Cash and cash equivalents at 1 July		145,319,977	100,068,986
Cash and cash equivalents at 30 June	21	157,645,315	145,319,977

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

Notes To 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 14 International Business Park, Singapore 609922

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 Changes in accounting policies

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 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

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 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
Amendments to SFRS(I) 3 : Reference to the Conceptual Framework	1 January 2022
Annual Improvements to SFRS(I)s 2018-2021	1 January 2022
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) *Practice Statement 2: Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8: Definition of Accounting Estimates	1 January 2023
Amendments to SFRS(I) 1-12 *Income taxes*: *Deferred tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I) 10 *Consolidated Financial Statements* and SFRS(I) 28 *Investments in Associates and Joint Ventures: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interests;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(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.

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

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

(b) *Business combinations and goodwill (cont'd)*

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

Construction in progress 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 as set out in Note 11.

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.

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

2.9 Intangible assets (cont'd)

(b) Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances 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.

2.10 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.

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

2.11 Associate (cont'd)

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.

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

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.

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

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

2.20 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

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	–	32 to 61 years
Offices and dormitories	–	1 to 9 years
Motor vehicles and others	–	1 to 8 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.

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.

(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.

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

2.22 Revenue (cont'd)

(c) *Rental income*

Rental income arising from operating leases on investment properties 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.

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

2.24 Taxes (cont'd)

(c) Sales tax

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

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

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

2.25 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.

2.26 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.

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.

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 relating to the oil and gas industry.

The assessment of the historical observed default rates and forward-looking information involves significant estimates and judgement. The Group's historical credit loss experience and forward looking information 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.

4. REVENUE

(a) Disaggregation of revenue

Segments

Group	Project works 2022	Project works 2021	Plant maintenance and related services 2022	Plant maintenance and related services 2021	Other operations 2022	Other operations 2021	Total revenue 2022	Total revenue 2021
	$	$	$	$	$	$	$	$
Primary geographical markets								
Singapore	105,869,215	101,137,751	120,728,774	99,817,510	415,449	253,909	227,013,438	201,209,170
Middle East	81,789,507	63,630,621	17,915,293	13,234,481	–	–	99,704,800	76,865,102
China	–	–	66,040,811	43,076,356	–	–	66,040,811	43,076,356
Others	13,936,722	38,355,270	21,223,137	19,833,339	63,211	44,717	35,223,070	58,233,326
	201,595,444	203,123,642	225,908,015	175,961,686	478,660	298,626	427,982,119	379,383,954
Timing of transfer of goods and services								
At a point in time	26,319,900	23,240,403	207,992,722	162,727,205	478,660	298,626	234,791,282	186,266,234
Over time	175,275,544	179,883,239	17,915,293	13,234,481	–	–	193,190,837	193,117,720
	201,595,444	203,123,642	225,908,015	175,961,686	478,660	298,626	427,982,119	379,383,954

(b) Contract balances

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

	Group 2022	Group 2021	Group 1 July 2020
	$	$	$
Receivables from contracts with customers (Note 17)	76,303,045	81,965,887	141,123,742
Contract assets	47,081,043	41,690,097	34,923,850
Capitalised contract costs	44,199	11,867,381	20,495,533
Contract liabilities	7,717,451	42,099,383	66,640,473

	Company 2022	Company 2021	Company 1 July 2020
	$	$	$
Receivables from contracts with customers (Note 17)	45,025,611	55,141,838	30,401,737
Contract assets	16,349,665	20,468,413	19,740,159
Contract liabilities	762,788	1,560,000	4,376,556

4. REVENUE (CONT'D)

(b) Contract balances (cont'd)

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		Company	
	2022	**2021**	**2022**	**2021**
	$	$	$	$
Contract assets reclassified to receivables	41,690,098	32,448,312	20,468,413	19,527,534

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$	$	$	$
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	42,099,383	66,640,473	1,560,000	4,376,556

(iii) Capitalised contract costs

	Group	
	2022	**2021**
	$	$
At 1 July	11,867,381	20,495,533
Additions	396,228	937,739
Amortisation	(12,230,661)	(9,524,539)
Currency realignment	11,251	(41,352)
At 30 June	44,199	11,867,381

Included in the capitalised contract cost is $44,199 (2021: $1,055,873) relating to fulfilment costs for construction projects as at year end. There is no capitalised contract costs at Company level.

5. OTHER OPERATING INCOME

	Note	Group 2022 $	Group 2021 $
Gain on disposal of property, plant and equipment, net		32,573	908,322
Gain on disposal of investment properties		125,714	–
Gain on disposal of investments	14	–	127,931
Gain on de-recognition of leases		–	3,018
Insurance claims		198,867	288,161
Income from sale of scrap materials		521,633	435,426
Government grants		1,394,625	9,380,385
Interest income on debt instruments at amortised cost		471,928	451,796
Rental income from investment property (commercial)	11	279,068	238,854
Training income		14,552	3,345
Write-back of impairment losses on property, plant and equipment	9	–	19,794
Recovery of cash previously written off	7	–	205,535
Exchange gain, net		3,429,861	–
Sundry income		423,305	635,031
		6,892,126	12,697,598

Government grant income comprises the Jobs Support Scheme (JSS), wage credit scheme and special employment credit grants. The JSS is a temporary scheme introduced in the Singapore Budget 2021 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees. The JSS is recognised on a systematic basis over the period of economic uncertainty which commenced in April 2021 with the implementation of circuit breaker.

6. FINANCE EXPENSES

	Note	Group 2022 $	Group 2021 $
Interest expense on:			
– Accretion of interest on reinstatement cost	22	94,614	91,335
– Bank loans carried at amortised cost		275,566	349,543
– Lease liabilities	10(c)	719,772	747,245
		1,089,952	1,188,123

7. PROFIT BEFORE TAX

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

	Note	Group 2022 $	Group 2021 $
Audit fees:			
– Auditors of the Company		196,650	239,347
– Other auditors		175,211	129,925
Non-audit fees:			
– Auditors of the Company		46,750	47,150
Employee benefits expenses (including directors' remuneration):			
– Wages, salaries and bonuses		149,013,205	138,497,491
– Defined contribution expense		4,599,051	4,382,990
– Other short-term employee benefits		11,970,228	12,725,805
Impairment losses/(write-back) on:			
– Trade receivables	17	24,411,166	(3,928,099)
– Loan		–	(606,457)
– Contract assets		2,758,509	–
		27,169,675	(4,534,556)
– Depreciation of property, plant and equipment	9	11,738,650	12,037,650
– Depreciation of right-of-use assets	10	2,038,096	2,212,072
– Depreciation of investment properties	11	158,392	154,758
– Amortisation of intangible assets	12	7,850	7,850
– Write-back on property, plant and equipment	9	–	(19,794)
– Expenses relating to short-term leases	10	16,186,901	22,090,815
– Exchange (gain)/loss, net		(3,429,860)	2,175,052
– Insurance		3,305,235	2,687,054
– Maintenance, upkeep and repair of plant and equipment		3,533,122	3,650,826
– Transport expenses		2,101,989	2,952,659
– Personal protective equipment		1,889,589	1,604,724

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 2022 $	Group 2021 $
Consolidated statement of comprehensive income:			
Current income tax:			
– Current income tax		10,610,640	3,141,924
– Over provision in respect of prior years		(120,776)	(226,313)
		10,489,864	2,915,611
Deferred income tax:			
– Origination and reversal of temporary differences		(817,780)	(1,966,854)
– (Over)/under provision in respect of prior years	26	(42,267)	118,841
		(860,047)	(1,848,013)
Withholding tax expense		847,172	1,189,363
Income tax expense recognised in profit or loss		10,476,989	2,256,961

Reconciliation between tax expense and accounting profit

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

	Group 2022 $	Group 2021 $
Profit before tax	27,417,335	25,841,034
Tax at statutory tax rate of 17% (2021: 17%)	4,660,947	4,392,976
Adjustments:		
Non-deductible expenses	7,331,264	775,061
Income not subject to taxation	(451,922)	(1,988,634)
Effect of differences in statutory tax rates	(1,942,198)	115,254
Benefits from previously unrecognised deferred tax assets	(58,989)	(1,405,504)
Over provision in respect of prior years	(163,043)	(107,472)
Effect of partial tax exemption and tax relief	(248,399)	(823,015)
Withholding tax on foreign sourced income	847,172	1,189,363
Undistributed earnings of a subsidiary	139,285	(359,222)
Deferred tax assets not recognised	462,065	639,224
Share of results of associate	(92,449)	(142,677)
Others	(6,744)	(28,393)
Income tax expense recognised in profit or loss	10,476,989	2,256,961

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 2020	89,603,019	97,915,061	21,461,767	20,443,167	212,217	229,635,231
Additions	187,016	2,400,524	1,092,154	899,722	4,389	4,583,805
Disposals	–	(4,935,018)	(1,518,950)	(600,893)	–	(7,054,861)
Currency realignment	(910,751)	308,961	26,136	(49,411)	(39,021)	(664,086)
At 30 June 2021 and 1 July 2021	88,879,284	95,689,528	21,061,107	20,692,585	177,585	226,500,089
Additions	248,846	2,043,110	315,028	3,214,163	–	5,821,147
Disposals	–	(1,107,636)	(303,137)	(389,635)	–	(1,800,408)
Acquisition of subsidiary (Note 14)	–	141,229	392,386	40,993	–	574,608
Reclassification	(28,736)	73,059	(82,289)	37,966	–	–
Currency realignment	128,182	151,463	(2,062)	(22,070)	(16,845)	238,668
At 30 June 2022	89,227,576	96,990,753	21,381,033	23,574,002	160,740	231,334,104
Accumulated depreciation and impairment loss:						
At 1 July 2020	33,955,613	69,579,530	15,865,902	18,536,575	–	137,937,620
Depreciation charge for the year	4,019,339	5,802,659	1,092,716	1,122,936	–	12,037,650
Reversal of impairment charge for the year	–	(19,794)	–	–	–	(19,794)
Disposals	–	(4,813,075)	(1,511,134)	(582,043)	–	(6,906,252)
Currency realignment	(127,483)	108,752	(14,829)	(49,434)	–	(82,994)
At 30 June 2021 and 1 July 2021	37,847,469	70,658,072	15,432,655	19,028,034	–	142,966,230
Depreciation charge for the year	4,058,805	5,082,879	1,132,299	1,464,667	–	11,738,650
Disposals	–	(1,112,335)	(296,081)	(376,762)	–	(1,785,178)
Reclassification	(12,005)	28,455	(35,156)	18,706	–	–
Currency realignment	37,619	138,457	(1,538)	(16,860)	–	157,678
At 30 June 2022	41,931,888	74,795,528	16,232,179	20,117,785	–	153,077,380
Net carrying amount:						
At 30 June 2021	51,031,815	25,031,456	5,628,452	1,664,551	177,585	83,533,859
At 30 June 2022	47,295,688	22,195,225	5,148,854	3,456,217	160,740	78,256,724

Notes To The Financial Statements

For the financial year ended 30 June 2022

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 2020	54,181,566	46,818,557	16,291,083	14,008,212	131,299,418
Additions	–	1,559,780	584,103	642,648	2,786,531
Disposals	–	(4,316,259)	(1,399,635)	(389,489)	(6,105,383)
At 30 June 2021 and 1 July 2021	54,181,566	44,062,078	15,475,551	14,261,371	127,980,566
Additions	–	255,692	39,522	2,856,187	3,151,401
Disposals	–	(941,135)	(92,518)	(161,212)	(1,194,865)
At 30 June 2022	54,181,566	43,376,635	15,422,555	16,956,346	129,937,102
Accumulated depreciation:					
At 1 July 2020	25,386,078	38,611,673	12,362,328	12,910,816	89,270,895
Charge for the year	2,615,753	2,000,025	673,125	793,605	6,082,508
Disposals	–	(4,221,266)	(1,399,603)	(389,247)	(6,010,116)
At 30 June 2021 and 1 July 2021	28,001,831	36,390,432	11,635,850	13,315,174	89,343,287
Charge for the year	2,615,753	1,686,477	678,048	1,158,111	6,138,389
Disposals	–	(940,698)	(92,516)	(156,606)	(1,189,820)
At 30 June 2022	30,617,584	37,136,211	12,221,382	14,316,679	94,291,856
Net carrying amount:					
At 30 June 2021	26,179,735	7,671,646	3,839,701	946,197	38,637,279
At 30 June 2022	23,563,982	6,240,424	3,201,173	2,639,667	35,645,246

Assets pledged as security

One of the Group's buildings with a carrying amount of $6,229,968 (2021: $6,576,077) is mortgaged to secure one of the Group's bank loans as disclosed in Note 23.

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 61 years, while the leases for offices and dormitories have lease terms between 1 year to 9 years. Leases of motor vehicles and office equipment generally have lease terms between 1 year and 8 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 year:

	Leasehold land $	Land use rights $	Offices and dormitories $	Motor vehicles and others $	Total $
Group					
Cost:					
At 1 July 2020	18,366,890	900,918	4,262,577	1,013,069	24,543,454
Additions	237,879	–	–	25,231	263,110
Disposals	(190,088)	–	(1,255,943)	(15,558)	(1,461,589)
Lease modifications	–	–	(44,972)	(9,755)	(54,727)
Currency realignment	–	50,738	(16,753)	(5,603)	28,382
At 30 June 2021 and 1 July 2021	18,414,681	951,656	2,944,909	1,007,384	23,318,630
Additions	307,670	–	2,101,329	149,000	2,557,999
Disposals	–	–	(521,473)	–	(521,473)
Currency realignment	–	(1,365)	77,700	(4,534)	71,801
At 30 June 2022	18,722,351	950,291	4,602,465	1,151,850	25,426,957
Accumulated depreciation:					
At 1 July 2020	976,833	330,952	1,350,194	396,379	3,054,358
Charge for the year	1,162,782	24,273	872,213	152,804	2,212,072
Disposals	(190,088)	–	(1,255,943)	(15,558)	(1,461,589)
Lease modifications	–	–	(13,727)	(7,803)	(21,530)
Currency realignment	–	19,204	60,845	(881)	79,168
At 1 June 2021 and 1 July 2021	1,949,527	374,429	1,013,582	524,941	3,862,479
Charge for the year	1,203,361	25,140	658,026	151,569	2,038,096
Disposals	–	–	(521,473)	–	(521,473)
Currency realignment	–	(874)	28,236	(1,602)	25,760
At 30 June 2022	3,152,888	398,695	1,178,371	674,908	5,404,862
Net carrying amount:					
At 30 June 2021	16,465,154	577,227	1,931,327	482,443	19,456,151
At 30 June 2022	15,569,463	551,596	3,424,094	476,942	20,022,095

The details on land use rights are disclosed in Note 13.

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 2020	16,562,208	1,255,942	293,079	18,111,229
Additions	237,879	–	–	237,879
Disposals	(117,779)	(1,255,942)	(15,558)	(1,389,279)
At 30 June 2021 and 1 July 2021	16,682,308	–	277,521	16,959,829
Additions	307,670	–	–	307,670
At 30 June 2022	16,989,978	–	277,521	17,267,499
Accumulated depreciation:				
At 1 July 2020	846,621	916,836	90,384	1,853,841
Charge for the year	1,056,672	339,106	90,738	1,486,516
Disposals	(117,779)	(1,255,942)	(15,558)	(1,389,279)
At 30 June 2021 and 1 July 2021	1,785,514	–	165,564	1,951,078
Charge for the year	1,121,355	–	87,623	1,208,978
At 30 June 2022	2,906,869	–	253,187	3,160,056
Net carrying amount:				
At 30 June 2021	14,896,794	–	111,957	15,008,751
At 30 June 2022	14,083,109	–	24,334	14,107,443

(b) Lease liabilities

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

	Group		Company	
	2022 $	2021 $	2022 $	2021 $
At 1 July	19,143,808	20,891,761	15,423,240	16,456,376
Additions	2,470,122	263,109	307,670	237,878
Accretion of interest	719,772	747,245	,540,203	566,492
Payments	(2,453,220)	(2,644,286)	(1,571,490)	(1,837,506)
Lease modifications	–	(36,215)	–	–
Currency realignment	48,042	(77,806)	–	–
At 30 June	19,928,524	19,143,808	14,699,623	15,423,240
Current	2,462,076	1,524,682	931,858	1,024,683
Non-current	17,466,448	17,619,126	13,767,765	14,398,557
	19,928,524	19,143,808	14,699,623	15,423,240

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

10. LEASES (CONT'D)

(c) Amounts recognised in profit or loss

	Note	Group 2022 $	Group 2021 $
Depreciation of right-of-use assets	7	2,038,096	2,212,072
Interest expense on lease liabilities	6	719,772	747,245
Expense relating to short-term leases	7	16,186,901	22,090,815
Gain on de-recognition of leases	5	–	(3,018)
Total amount recognised in profit and loss		18,944,769	25,047,114

(d) Total cash outflow

The Group's total cash outflows relating to leases amounted to $18,640,121 (2021: $24,735,101), which included principal repayments of $1,733,448 (2021: $1,897,041).

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

	2022 $	2021 $
Group		
Balance sheet		
Cost:		
At 1 July	6,877,113	6,889,015
Additions	152,595	–
Disposals	(419,710)	–
Currency realignment	(51,055)	(11,902)
At 30 June	6,558,943	6,877,113
Accumulated depreciation:		
At 1 July	1,259,515	1,107,143
Charge for the year	158,392	154,758
Disposals	(84,424)	–
Currency realignment	(10,052)	(2,386)
At 30 June	1,323,431	1,259,515
Net carrying amount:	5,232,512	5,617,598
Income statement		
Rental income from investment properties classified as:		
– Revenue	63,211	44,717
– Other operating income (Note 5)	279,068	238,854
Total minimum lease payments	342,279	283,571
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating property	347,543	344,108
– Non-rental generating property	5,721	17,815
	353,264	361,923

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 $6,570,000 (2021: $7,120,000) by reference to comparable market transactions that consider recent sale of similar properties that have been transacted in the open market.

The investment properties held by the Group are as follows:

Description and location	Existing Use	Tenure	Unexpired lease term 2022	 2021
10 strata-titled factory units of a light industrial development known as The Elitist, Singapore	Offices	Leasehold	34	35
64 units of residential apartment at block C3 Seri Mengkuang, Malaysia	Residential	Leasehold	78	79
B0524 block B EKO Galleria Jalan EKO Botani Taman EKO Botani 79100 Iskandar Puteri Johor Darul Takzim	Office	Freehold	NA	NA

12. INTANGIBLE ASSETS

		Other intangible assets		
	Goodwill	Club membership	Licence	Total
	$	$	$	$
Group				
Cost:				
At 1 July 2020, 30 June 2021, 1 July 2021 and 30 June 2022	1,561,952	207,640	570,150	2,339,742
Accumulated amortisation and impairment loss:				
At 1 July 2020	1,561,952	143,257	570,150	2,275,359
Amortisation for the year	–	7,850	–	7,850
At 30 June 2021 and 1 July 2021	1,561,952	151,107	570,150	2,283,209
Amortisation for the year	–	7,850	–	7,850
At 30 June 2022	1,561,952	158,957	570,150	2,291,059
Net carrying amount:				
At 30 June 2021	–	56,533	–	56,533
At 30 June 2022	–	48,683	–	48,683

	Club membership
	$
Company	
Cost:	
At 1 July 2020, 30 June 2021, 1 July 2021 and 30 June 2022	207,640
Accumulated amortisation:	
At 1 July 2020	143,257
Amortisation for the year	7,850
At 30 June 2021 and 1 July 2021	151,107
Amortisation for the year	7,850
At 30 June 2022	158,957
Net carrying amount:	
At 30 June 2021	56,533
At 30 June 2022	48,683

13. LAND USE RIGHTS

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 2022, the land use rights are transferrable upon approval from local government and have a remaining tenure of 32 to 61 years (2021: 33 to 62 years). The carrying amount of land use rights is disclosed in Note 10.

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2022	2021
	$	$
Unquoted shares, at cost	53,949,099	53,339,778
Loan to a subsidiary	9,255,393	11,161,603
Impairment losses	(9,763,939)	(9,763,939)
	53,440,553	54,737,442

(a) Composition of the Group

	Name of subsidiaries	Country of incorporation	Principal activities	Proportion (%) of ownership interest 2022 %	2021 %
	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	75	75
(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

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 2022 %	2021 %
	Held by the Company (cont'd):				
(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
(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
(1)	Plant Electrical Instrumentation Pte. Ltd. ("PEI")	Singapore	Engineering services and installation of electrical and scientific instruments	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 2022 %	2021 %
	Held through a subsidiary:				
(2)	Audex Fujairah LL FZE.	United Arab Emirates	Engineering, procurement, construction and project management services	100	100
(5), (7)	PECI-Thai Company Limited	Thailand	Engineering, procurement, construction and maintenance services	49	49
(1)	PEC Process Systems Pte. Ltd.	Singapore	Engineering, procurement, construction and Commissioning of Modular Process Solutions	100	100
(9)	PEC International LLC	Oman	Engineering, procurement, construction and maintenance services	100	100

(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) No auditors were appointed.
* For financial year ended 30 Jun 2021, the Group had 49% interest in PEI. The Group's investment in PEI had been accounted for as an associate. For financial year end 30 June 2022, the Group acquired the remaining 51% interest in PEI and it became a wholly owned subsidiary.

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

The Group has the following subsidiaries that have NCI that are material to the Group as at 30 June 2022.

	EBT Engineering Pte. Ltd. ("EBT")		Huizhou Tianxin Petrochemical Engineering Co., Ltd ("HTX")	
	2022	**2021**	**2022**	**2021**
	$	$	$	$
Proportion of ownership interest held by NCI	45%	45%	25%	25%
Accumulated NCI at the end of the financial year	4,237,586	3,877,531	3,522,133	1,716,234
Profit after tax allocated to NCI during the financial year	591,984	715,928	1,739,287	110,624

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 consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

	EBT		HTX	
	2022	**2021**	**2022**	**2021**
	$	$	$	$
Summarised balance sheets				
Non-current assets	9,249,321	9,357,240	12,081,308	11,525,135
Current assets	8,215,992	7,216,444	21,637,087	21,841,337
Non-current liabilities	(6,002,433)	(6,164,966)	–	–
Current liabilities	(2,046,022)	(1,791,983)	(19,629,864)	(26,131,563)
Net assets	9,416,858	8,616,735	14,088,531	7,234,909
Summarised statement of comprehensive income				
Revenue	9,045,570	8,717,992	66,040,811	32,076,356
Profit for the year	1,315,519	1,590,952	6,957,148	4,171,002
Other comprehensive income	–	–	(103,526)	743,558
Total comprehensive income	1,315,519	1,590,952	6,853,622	4,914,560
Other summarised information				
Dividends paid to NCI	(231,928)	–	–	–
Summarised cash flow information				
Operating	2,798,669	979,528	5,068,466	3,774,449
Investing	(6,059)	(86,397)	(1,719,837)	(3,741,162)
Financing	(1,197,845)	(603,206)	(3,643,136)	3,500,166)
Exchange differences	–	–	(12,423)	273,297
Net increase/(decrease) in cash and cash equivalents	1,594,765	289,925	(306,930)	3,806,750

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(d) Disposal and liquidation of subsidiaries

PT Audex Indonesia was placed under members' voluntary liquidation in the prior financial year. The Group recorded a gain on liquidation of $127,931.

In prior year, the Group received distribution of proceeds in relation to the liquidation of the Group's former subsidiaries, Major Insulation & Links (Mil) Marketing Pte Ltd and Enerz Engineering Pte. Ltd. ("Enerz") which amounted to $504,333.

(e) Loan to a subsidiary

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) Disposal of ownership in interest in a subsidiary, without loss of control

In prior year, the Group disposal of 25% equity in wholly-owned subsidiary, Huizhou Tianxin Petrochemical Engineering Co., Ltd. for a consideration of approximately $1.5 million.

The Company has on 6 May 2021, entered into a sale and purchase agreement ("SPA") with Huizhou Qi An Enterprise Management Co., Ltd), Huizhou Mu Sheng Enterprise Management Co., Ltd and Huizhou Ze Xi Enterprise Management Co., Ltd) (together, "Purchasers"), pursuant to which the Company will sell to the Purchasers an aggregate of 25% of the total equity interest ("Equity") in the registered capital of Huizhou Tianxin Petrochemical Engineering Co., Ltd.

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(g) Acquisition of a subsidiary

The Company has on 3 December 2021, entered into a sale and purchase agreement ("SPA") with Yokogawa Engineering Asia Pte. Ltd. ("Yokogawa"), pursuant to which the Company will acquire from Yokogawa 51% of the total equity interest ("Equity") in the registered capital of Plant Electrical Instrumentation Pte Ltd for a cash consideration of $255,000. The consideration was arrived at on the basis of the net book value of PEI based on its management accounts as at 31 October 2021.

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

	Fair value recognised on acquisition $
Property, plant and equipment	574,608
Right of use assets	57,717
Inventories	915,338
Cash	1,564,388
Trade receivables	4,959,190
Prepayment	220,934
	8,292,175
Progress billings	(463,106)
Other payables and provisions	(3,128,032)
Lease liabilities	(65,695)
Deferred tax liabilities	(28,884)
Dividend payable	(3,300,000)
Provision for tax	(63,156)
Trade payables	(743,302)
Total identifiable net assets at fair value	500,000
Non-controlling interest (49% of net assets)	(245,000)
Total consideration transferred	255,000
<u>Consideration transferred for the acquisition of business</u>	
Net cash acquired with the subsidiary	1,564,388
Cash paid	(255,000)
	1,309,388

From the date of acquisition, PEI contributed $22,172,903 of revenue and $2,747,719 to profit before tax. If the combination had taken place at the beginning of financial year ended 30 June 2022, the Group's revenue would have been $438,701,072 and the profit before tax would have been $28,500,357.

15. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2022	2021	2022	2021
	$	$	$	$
Unquoted shares, at cost	–	354,320	–	354,320
Share of post acquisition reserves	–	5,689,480	–	–
Carrying amount of investment in associate	–	6,043,800	–	354,320

	Name of associate	Country of incorporation	Principal activities	Proportion (%) of ownership interest	
				2022	2021
				%	%
	Held by the Company				
(1)	Plant Electrical Instrumentation Pte. Ltd. ("PEI")	Singapore	Engineering services and installation of electrical and scientific instruments	–	49

(1) In 2021, PEI was audited by Deloitte & Touche, Singapore

During the year, the Group acquired the remaining 51% interest in PEI and PEI became a wholly owned subsidiary of the company.

Dividends of $6,342,619 (2021: $245,000) were declared by Plant Electrical Instrumentation Pte. Ltd. ("PEI") to the Company in the current financial year.

16. INVESTMENT SECURITIES

	Group and Company	
	2022	2021
	$	$
Non-current		
At fair value through other comprehensive income		
– Equity securities (quoted) listed in Singapore	1,143	1,143

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 Nil (2021: Nil) from its investments securities during year.

17. TRADE RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	$	$	$	$
Trade receivables:				
– External parties	114,406,176	95,404,841	33,836,463	39,959,210
– Associate	–	17,849	–	3,839
– Related parties	88,866	8,567	3,478	4,826
– Subsidiaries	–	–	11,263,234	17,834,788
	114,495,042	95,431,257	45,103,175	57,802,663
Allowance for impairment:				
– External parties	(38,191,997)	(13,465,370)	(11,663)	(11,663)
– Subsidiaries	–	–	(65,901)	(2,649,162)
	76,303,045	81,965,887	45,025,611	55,141,838
Current	76,303,045	81,965,887	45,025,611	55,141,838
	76,303,045	81,965,887	45,025,611	55,141,838

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 $6,037,536 (2021: $1,183,052) and of which Nil (2021: Nil) are non-current.

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	
	2022	2021	2022	2021
	$	$	$	$
Arab Emirates Dirham	3,832,722	19,255,390	–	–
United States Dollar	26,830,332	14,241,579	7,111,371	2,903,159

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	
	2022	**2021**
	$	$
Movement in allowance accounts:		
At 1 July	13,465,370	17,751,354
Charge/(Written back) for the year (Note 7)	24,411,166	(3,928,099)
Written off	–	(312)
Currency realignment	315,461	(357,573)
At 30 June	38,191,997	13,465,370

18. INVENTORIES

	Group	
	2022	**2021**
	$	$
Balance sheet:		
Finished goods, at lower of cost and net realisable value	1,064,716	597,140
Consolidated statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	7,402,236	7,286,230

19. OTHER RECEIVABLES AND DEPOSITS

	Note	Group 2022 $	Group 2021 $	Company 2022 $	Company 2021 $
Other receivables		3,705,997	4,477,846	696,713	16,739,318
Refundable deposits		5,697,078	3,754,272	1,888,827	2,547,330
		9,403,075	8,232,118	2,585,540	19,286,648
Other receivables and deposits		9,403,075	8,232,118	2,585,540	19,286,648
Trade receivables	17	76,303,045	81,965,887	45,025,611	55,141,838
Loans due from subsidiaries	20	–	–	21,001,878	9,825,672
Cash and short-term deposits	21	157,645,315	145,319,977	74,738,745	46,826,405
Total financial assets carried at amortised cost		243,351,435	235,517,982	143,351,774	131,080,563

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

Refundable deposits are short-term in nature, unsecured and non-interest bearing.

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

	Group 2022 $	Group 2021 $	Company 2022 $	Company 2021 $
Euro	45,881	–	45,881	–
United States Dollar	297,822	75,809	4,480	11,278

20. LOANS DUE FROM SUBSIDIARIES

	Company 2022 $	Company 2021 $
Loans due from subsidiaries	21,001,878	9,825,672

The loans due from subsidiaries are current, unsecured, bear interest from 2.1% to 5% (2021: 2.51% to 2.89%) 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 2022 $	Group 2021 $	Company 2022 $	Company 2021 $
Cash at banks and on hand		144,988,069	124,926,503	73,006,582	46,086,927
Fixed deposits		12,657,246	20,393,474	1,732,163	739,478
Cash and short-term deposits, representing cash and cash equivalents	19	157,645,315	145,319,977	74,738,745	46,826,405

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

The interest rate of fixed deposits ranges from approximately 0.05% to 5% (2021: 0.07% to 5.1%) per annum.

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

	Group 2022 $	Group 2021 $	Company 2022 $	Company 2021 $
Arab Emirates Dirham	28,249	27,353	3	3
Euro	2,542	543,044	36	534,958
Malaysian Ringgit	900,050	926,220	900,050	926,220
Renminbi	1,707,330	144,527	1,707,330	144,527
United States Dollar	37,486,659	67,000,435	7,618,161	11,306,223

22. PROVISIONS

	Group		Company	
	2022	2021	2022	2021
	$	$	$	$
Current:				
Provision for unutilised leave	3,087,326	2,937,277	2,174,023	2,311,198
Provision for warranty	4,852,960	3,151,256	656,910	615,893
Provision for onerous contracts	–	1,226,144	–	1,183,000
	7,940,286	7,314,677	2,830,933	4,110,091
Non-current:				
Provision for reinstatement cost	2,960,079	2,865,465	2,810,088	2,720,672
	10,900,365	10,180,142	5,641,021	6,830,763

			Group		
	Provision for unutilised leave	Provision for warranty	Provision for onerous contracts	Provision for reinstate-ment cost	Total
	$	$	$	$	$
At 1 July 2020	2,765,820	2,531,895	1,589,152	2,774,130	9,660,997
Arose during the financial year	581,770	1,893,860	506,641	–	2,982,271
Accretion of interest	–	–	–	91,335	91,335
Unused amounts reversed	(384,185)	(1,247,557)	(869,649)	–	(2,501,391)
Currency realignment	(26,128)	(26,942)	–	–	(53,070)
At 30 June 2021 and 1 July 2021	2,937,277	3,151,256	1,226,144	2,865,465	10,180,142
Arose during the financial year	1,166,688	2,081,522	–	–	3,248,210
Accretion of interest	–	–	–	94,614	94,614
Unused amounts reversed	(1,027,459)	(435,507)	(1,226,144)	–	(2,689,110)
Currency realignment	10,820	55,689	–	–	66,509
At 30 June 2022	3,087,326	4,852,960	–	2,960,079	10,900,365

23. LOANS AND BORROWINGS

	Maturity	Note	Group 2022 $	Group 2021 $	Company 2022 $	Company 2021 $
Current:						
Bank loan 1	2022-2023		305,009	297,350	–	–
Bank loan 2	2022-2023		5,000,000	5,000,000	5,000,000	5,000,000
Bank loan 3	2022-2023		3,958,350	5,000,000	3,958,350	5,000,000
Bank loan 4	2022-2023		137,935	839,158	–	–
Bank loan 5	2022-2023		137,935	167,832	–	–
			9,539,229	11,304,340	8,958,350	10,000,000
Non-current:						
Bank loan 1	2023-2035		3,984,510	4,347,340	–	–
			3,984,510	4,347,340	–	–
Total loans and borrowings		25	13,523,739	15,651,680	8,958,350	10,000,000

Bank loan 1

This loan is denominated in SGD, bears fixed interest of 2.0% (2021: 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 2

This loan is denominated in SGD, unsecured and bears interest of 2.55% (2021: 1.768%) per annum.

Bank loan 3

This loan is denominated in SGD, unsecured and bears interest of 2.0% (2021: 2.0%) per annum.

Bank loan 4

This loan is denominated in Thai Baht ("THB"), unsecured and bears interest of 2.12% (2021: 2.12%) per annum.

Bank loan 5

This loan is denominated in Thai Baht ("THB"), unsecured and bears interest of 2.12% (2021: 2.13% to 2.35%) per annum.

23. LOANS AND BORROWINGS (CONT'D)

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

	1.7.2021	Cash flows	Non-cash changes: Currency realignment	Non-cash changes: Other	30.6.2022
	$	$	$	$	$
Loans					
– Current	11,304,340	(2,088,363)	(39,578)	362,830	9,539,229
– Non-current	4,347,340	–	–	(362,830)	3,984,510
Total	15,651,680	(2,088,363)	(39,578)	–	13,523,739

	1.7.2020	Cash flows	Non-cash changes: Currency realignment	Non-cash changes: Other	30.6.2021
	$	$	$	$	$
Loans					
– Current	14,384,712	(3,245,493)	(121,142)	286,263	11,304,340
– Non-current	4,633,603	–	–	(286,263)	4,347,340
Total	19,018,315	(3,245,493)	(121,142)	–	15,651,680

The 'other' column relates to reclassification of non-current portion of loans and borrowings.

24. TRADE PAYABLES

	Note	Group 2022	Group 2021	Company 2022	Company 2021
		$	$	$	$
Trade payables:					
– External parties		18,419,257	16,119,637	4,984,487	6,007,920
– Associate		–	18,694	–	18,374
– Related parties		–	80,256	–	65,824
– Subsidiaries		–	–	5,628,501	7,970,118
	25	18,419,257	16,218,587	10,612,988	14,062,236
Net GST payables		1,621,559	2,619,565	1,639,009	2,844,339
		20,040,816	18,838,152	12,251,997	16,906,575

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.

24. TRADE PAYABLES (CONT'D)

Trade payables denominated in foreign currencies are as follows:

	Group		Company	
	2022	2021	2022	2021
	$	$	$	$
Euro	171,071	58,739	13,669	5,976
United States Dollar	1,335,845	1,063,190	146,655	6,541

25. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Note	2022	2021	2022	2021
		$	$	$	$
Accrued operating expenses		46,864,317	41,068,283	26,284,115	20,409,661
Accrued staff benefit expenses		19,283,283	19,552,532	12,369,294	12,998,315
Accrued directors' fees		87,500	110,250	57,500	71,250
Other payables		2,813,479	2,514,685	259,457	131,460
		69,048,579	63,245,750	38,970,366	33,610,686
Deferred grant income		–	461,990	–	352,248
		69,048,579	63,707,740	38,970,366	33,962,934
Other payables and accruals		69,048,579	63,245,750	38,970,366	33,610,686
Loans and borrowings	23	13,523,739	15,651,680	8,958,350	10,000,000
Trade payables	24	18,419,257	16,218,587	10,612,988	14,062,236
Total financial liabilities carried at amortised cost		100,991,575	95,116,017	58,541,704	57,672,922

Other payables have an average term of 6 (2021: 6) months.

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

	Group		Company	
	2022	2021	2022	2021
	$	$	$	$
United States Dollar	332,877	1,256,934	–	–

26. DEFERRED TAX ASSETS/LIABILITIES

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

	Group		Company	
	2022	2021	2022	2021
	$	$	$	$
Deferred tax liabilities				
Differences in depreciation and amortisation for tax purposes	63,742	504,846	83,610	247,835
Foreign sourced income not received in Singapore	116,780	151,193	116,780	182,774
Undistributed earnings of a subsidiary	139,285	–	–	–
Deferred tax assets				
Provisions	(3,418,426)	(2,894,493)	(3,025,831)	(2,678,651)
Unutilised tax losses	(7,578)	(5,187)	–	–
	(3,106,197)	(2,243,641)	(2,825,441)	(2,248,042)
Presented as:				
Deferred tax assets	(3,223,710)	(2,315,439)	(2,825,441)	(2,248,042)
Deferred tax liabilities	117,513	71,798	–	–
	(3,106,197)	(2,243,641)	(2,825,441)	(2,248,042)

An analysis of the net deferred taxes is as follows:

	Group	
	2022	2021
	$	$
At 1 July	(2,243,641)	(447,155)
Movements in deferred taxes (Note 8)		
– Current financial year	(817,780)	(1,966,854)
– (Over)/under provision in respect of prior years	(42,267)	118,841
– Currency realignment	(2,509)	51,527
At 30 June	(3,106,197)	(2,243,641)

Unrecognised tax losses and deductible temporary differences

The Group has unutilised tax losses and deductible temporary differences of approximately $1,239,000 (2021: $948,000) and $4,765,000 (2021: $2,849,000) 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. The tax losses have no expiry date.

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

Temporary differences relating to investments in subsidiaries

In the current financial year, $139,285 (2021: Nil) 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 $45,540,000 (2021: $29,077,000). The deferred tax liability is estimated to be $7,741,800 (2021: $4,943,090).

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			
	2022		**2021**	
	No. of shares	$	No. of shares	$
At 1 July and 30 June	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			
	2022		**2021**	
	No. of shares	$	No. of shares	$
At 1 July and 30 June	1,070,937	575,953	1,070,937	575,953

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

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.

The SRF has reached 50% of the subsidiaries' registered capital. Accordingly, no appropriations were made in the financial years ended 30 June 2022 and 2021.

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 (including foreign branches of the Company) whose functional currencies are different from that of the Group's and Company's presentation currency.

32. DIVIDENDS

	Group and Company	
	2022	**2021**
	$	$
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt dividend for 2021: 2.5 (2020: 0.5) cents per share	6,366,096	1,273,219
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 2022: 2.5 (2021: 2.5) cents per share	6,366,096	6,366,096
Special exempt dividend for 2022:1.0 (2021: Nil) cents per share	2,546,438	–

33. EARNINGS PER SHARE

Basic earnings per share amounts are calculated by dividing the profit for the year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the profit from operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Group	
	2022	**2021**
	$	$
Profit for the year attributable to owners of the Company	14,143,430	22,334,104
Weighted average number of ordinary shares for basic earnings per share computation	254,643,826	254,643,826
Effect of dilution:		
– Performance Share Plan	3,051,286	
Weighted average number of ordinary shares for diluted earnings per share computation	256,169,469	
Earnings per share (cents per share)		
– Basic	5.6	8.8
– Diluted	5.5	8.8

34. SHARE-BASED COMPENSATION

PEC Performance share plan (the "Plan")

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.

Under the Plan, approximately 3 million shares were granted on 1 December 2021 which will be vested. 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.

The expense arising from this equity-settled share-based payment in current financial year is $608,910.

34. SHARE-BASED COMPENSATION (CONT'D)

Inputs to the Forward Pricing model used for the Plan is as follows:

	Group 2022 $
Weighted average fair values at the measurement date	0.52
Dividend yield (%)	3.40
Risk-free interest rate (%)	0.44
Share price at the measurement date	0.56

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	
		2022 $	2021 $
(i)	*Related parties:*		
	Revenue from sale of information systems	58,393	12,816
	Revenue from system installation	42,702	4,933
	Office rental expenses	–	(253,592)
	Recharge of utility expenses	–	(38,711)
(ii)	*Associate*:		
	Revenue from manpower supply and engineering works	4,802	25,005
	Revenue from IT services	12,658	57,573
	Subcontractors charges and manpower charges	(298,703)	(54,415)

(b) Compensation of key management personnel

	Group	
	2022 $	2021 $
Directors' fees	268,052	309,000
Salaries and bonuses	5,656,841	5,185,322
Short-term employee benefits	5,884	6,000
Central Provident Fund contributions	93,842	70,016
Share-based compensation expense	128,174	–
Total compensation paid to key management personnel	6,152,793	5,570,338
Comprise amounts paid to		
– Directors of the Company	4,096,376	3,723,578
– Other key management personnel	2,056,417	1,846,760
	6,152,793	5,570,338

36. COMMITMENTS AND CONTINGENCIES

(a) 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	
	2022	**2021**
	$	$
Within one year	229,831	202,829
Later than one year but not later than five years	90,688	46,813
	320,519	249,642

(b) Contingent liabilities

Corporate guarantee

The Company has provided corporate guarantees to banks amounting to $33,899,000 (2021: $34,706,000) for credit facilities taken by its subsidiaries and an associate (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 reporting period, these subsidiaries have net current liabilities totalling $4,700,455 (2021: Net current liabilities of $3,527,533). The amount due from these subsidiaries to the Company amounted to $15,262,000 (2021: $11,756,000).

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		
2022		
Financial assets:		
Equity instruments at FVOCI		
– Investment securities (quoted)	16	1,143
2021		
Financial assets:		
Equity instruments at FVOCI		
– Investment securities (quoted)	16	1,143

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:

	Note	Fair value measurements at the end of the reporting period using		
		Significant observable inputs other than quoted prices (Level 2)	**Significant unobservable inputs (Level 3)**	**Carrying amount**
		$	$	$
2022				
Non-financial assets				
Investment properties	11	6,570,000	–	5,235,512
Financial liabilities				
Loans and borrowings		–	4,252,016	3,984,510
2021				
Non-financial assets				
Investment properties	11	7,120,000	–	5,617,598
Financial liabilities				
Loans and borrowings		–	4,590,590	4,347,340

Determination of fair value

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

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

(a) Credit risk (cont'd)

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

– There is significant difficulty of the issuer or the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter bankruptcy or other financial re-organisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

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

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for trade receivables 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 profile/geographical region. The loss allowance provision as at 30 June 2022 is determined as follows, the expected credit losses below also incorporate forward-looking information such as forecasted default rate of oil and gas industry.

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

(a) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

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

Singapore:

30 June 2022	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	22,113,140	36,924,933	910,574	279,750	72,587	2,627,377	62,928,361
Loss Allowance provision	–	(509,674)	–	–	–	(2,588,723)	(3,098,397)
	22,113,140	36,415,259	910,574	279,750	72,587	38,654	59,829,964

Middle East:

30 June 2022	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	19,279,815	2,855,483	7,470,080	585,410	227,276	42,714,297	73,132,361
Loss Allowance provision	(2,335,305)	(40,181)	(256,253)	(229,637)	(84,594)	(31,252,972)	(34,198,942)
	16,944,510	2,815,302	7,213,827	355,773	142,682	11,461,325	38,933,419

Other geographical areas:

30 June 2022	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	8,023,393	11,992,947	2,068,194	3,762	51,264	5,711,108	27,850,668
Loss Allowance provision	–	(524,608)	(695,708)	–	(27,402)	(1,982,245)	(3,229,963)
	8,023,393	11,468,339	1,372,486	3,762	23,862	3,728,863	24,620,705

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

(a) Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

Singapore:

30 June 2021	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	25,268,221	34,389,622	4,278,561	49,264	11,581	2,608,234	66,605,483
Loss Allowanc provision	–	–	–	–	–	(2,607,485)	(2,607,485)
	25,268,221	34,389,622	4,278,561	49,264	11,581	749	63,997,998

Middle East:

30 June 2021	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	2,452,482	8,180,529	3,317,091	183,837	–	28,149,044	42,282,983
Loss Allowance provision	(335,305)	(725,519)	(414,003)	–	–	(8,757,046)	(10,231,873)
	2,117,177	7,455,010	2,903,088	183,837	–	19,391,998	32,051,110

Other geographical areas:

30 June 2021	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	14,304,699	5,576,192	4,008,703	425,295	27,193	4,226,111	28,568,193
Loss Allowance provision	–	(21,417)	(42,865)	–	(1,045)	(895,990)	(961,317)
	14,304,699	5,554,775	3,965,838	425,295	26,148	3,330,121	27,606,876

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

In the previous financial year, the Group wrote-off $312 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.

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

(a) Credit risk (cont'd)

Other receivables

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

Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2022		2021	
	$	% of total	$	% of total
By country:				
Singapore	35,472,349	47%	37,969,940	46%
United Arab Emirates	19,909,552	26%	30,006,741	37%
Malaysia	1,309,129	2%	134,784	1%
Vietnam	7,867,624	10%	3,226,925	4%
People's Republic of China	7,659,627	10%	5,176,525	6%
Other countries	4,084,764	5%	5,450,972	6%
	76,303,045	100%	81,965,887	100%

At the end of the reporting period, approximately 20% (2021: 33%) 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.

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

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group and Company manages its liquidity risk by maintaining sufficient cash and marketable securities to enable them to meet their normal operating commitments. At the end of the reporting period, approximately 70.5% (2021: 72.2%) of the Group's loans and borrowings will mature in less than one year based on the carrying amount reflected in the financial statements.

The Group assessed the concentration of risk with respect to refinancing its debts and concluded it to be low. The Group has assessed that its access to sources of funding is sufficiently available.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less $	1 to 5 years $	Over 5 years $	Total $
Group				
2022				
Financial assets				
Trade receivables	76,303,045	–	–	76,303,045
Other receivables and deposits	9,403,075	–	–	9,403,075
Cash and short-term deposits	157,645,315	–	–	157,645,315
Total undiscounted financial assets	243,351,435	–	–	243,351,435
Financial liabilities				
Trade payables	18,419,257	–	–	18,419,257
Other payables and accruals	69,048,579	–	–	69,048,579
Loans and borrowings	9,697,145	1,721,697	3,263,158	14,682,000
Lease liabilities	2,314,688	7,946,643	17,955,376	28,216,707
Total undiscounted financial liabilities	99,479,669	9,668,340	21,218,534	130,366,543
Total net undiscounted financial assets/(liabilities)	143,871,766	(9,668,340)	(21,218,534)	112,984,892

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				
2021				
Financial assets				
Trade receivables	81,965,887	–	–	81,965,887
Other receivables and deposits	8,232,118	–	–	8,232,118
Cash and short-term deposits	145,319,977	–	–	145,319,977
Total undiscounted financial assets	235,517,982	–	–	235,517,982
Financial liabilities				
Trade payables	16,218,587	–	–	16,218,587
Other payables and accruals	63,245,750	–	–	63,245,750
Loans and borrowings	11,580,844	1,665,920	3,772,195	17,018,959
Lease liabilities	2,184,664	6,633,384	19,770,635	28,588,683
Total undiscounted financial liabilities	93,229,845	8,299,304	23,542,830	125,071,979
Total net undiscounted financial assets/(liabilities)	142,288,137	(8,299,304)	(23,542,830)	110,446,003
Company				
2022				
Financial assets				
Trade receivables	45,025,611	–	–	45,025,611
Other receivables and deposits	2,585,540	–	–	2,585,540
Loans due from subsidiaries	21,643,078	–	–	21,643,078
Cash and short-term deposits	74,738,745	–	–	74,738,745
Total undiscounted financial assets	143,992,974	–	–	143,992,974
Financial liabilities				
Trade payables	10,612,988	–	–	10,612,988
Other payables and accruals	38,970,366	–	–	38,970,366
Loans and borrowings	9,037,319	–	–	9,037,319
Lease liabilities	1,443,295	5,491,408	15,838,289	22,772,992
Total undiscounted financial liabilities	60,063,968	5,491,408	15,838,289	81,393,665
Total net undiscounted financial assets/(liabilities)	83,929,006	(5,491,408)	(15,838,289)	62,599,309

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				
2021				
Financial assets				
Trade receivables	55,141,838	–	–	55,141,838
Other receivables and deposits	19,286,648	–	–	19,286,648
Loans due from subsidiaries	10,062,443	–	–	10,062,443
Cash and short-term deposits	46,826,405	–	–	46,826,405
Total undiscounted financial assets	131,317,334	–	–	131,317,334
Financial liabilities				
Trade payables	14,062,236	–	–	14,062,236
Other payables and accruals	33,610,686	–	–	33,610,686
Loans and borrowings	10,188,400	–	–	10,188,400
Lease liabilities	1,562,346	5,039,384	17,238,694	23,840,424
Total undiscounted financial liabilities	59,423,668	5,039,384	17,238,694	81,701,746
Total net undiscounted financial assets/(liabilities)	71,893,666	(5,039,384)	(17,238,694)	49,615,588

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	2022 $	2021 $
	1 year or less	
Financial guarantees (Note 36b)	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, and United Arab Emirates Dirhams ("AED"). The foreign currencies in which these transactions are denominated are mainly United States Dollars ("USD") and AED. Approximately 29% (2021: 28%) 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, RMB and AED exchange rates against the respective functional currencies of the Group entities, with all other variables held constant, on the Group's profit before tax as at the end of the reporting period.

			Group 2022	Group 2021
			Profit before tax Increase (+)/ (decrease) (-)	
			$'000	$'000
USD/SGD	– strengthened 3%	(2021: 3%)	+1,346	+826
	– weakened 3%	(2021: 3%)	-1,346	-826
USD/AED	– strengthened 3%	(2021: 3%)	+453	+1,383
	– weakened 3%	(2021: 3%)	-453	-1,383
RMB/SGD	– strengthened 3%	(2021: 3%)	+51	+51
	– weakened 3%	(2021: 3%)	-51	-51
AED/SGD	– strengthened 3%	(2021: 3%)	+104	+578
	– weakened 3%	(2021: 3%)	-104	-578

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	
	2022	**2021**
	$	$
Total loans and borrowings (Note 23)	13,523,739	15,651,680
Total lease liabilities (Note 10)	19,928,524	19,143,808
	33,452,263	34,795,488
Total equity attributable to the owners of the Company	241,566,911	232,008,849
Total capital employed	275,019,174	266,804,337
Gearing ratio	12.16%	13.04%

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, 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, 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
	$	$	$	$	$
2022					
Revenue	201,595,444	225,908,015	478,660	–	427,982,119
Inter-segment sales	13,228,166	14,980,422	1,868,652	(30,077,240)	–
Total revenue	214,823,610	240,888,437	2,347,312	(30,077,240)	427,982,119
Gross profit:					
Segment results	72,989,897	51,559,301	86,072	–	124,635,270
Unallocated expenses and income, net					(56,031,067)
Interest income					471,928
Depreciation and amortisation	(6,976,878)	(1,977,030)	(125,366)	–	(9,079,274)
Unallocated depreciation and amortisation					(4,863,714)
Write-back of Impairment losses on financial assets and contract assets	(27,153,504)	(16,171)	–	–	(27,169,675)
Finance expenses					(1,089,952)
Share of results of associate	–	–	543,819	–	543,819
Profit before tax					27,417,335
Income tax expense					(10,476,989)
Profit for the year					16,940,346
Assets:					
Additions to property, plant and equipment	2,663,396	2,530,776	779,570	–	5,973,742

40. SEGMENT INFORMATION (CONT'D)

(a) Business segments (cont'd)

	Project works $	Plant maintenance and related services $	Other operations $	Eliminations $	Total $
2021					
Revenue	203,123,642	175,961,686	298,626	–	379,383,954
Inter-segment sales	15,269,849	11,232,181	2,837,600	(29,339,630)	–
Total revenue	218,393,491	187,193,867	3,136,226	(29,339,630)	379,383,954
Gross profit:					
Segment results	43,535,921	43,902,980	41,706	–	87,480,607
Unallocated expenses and income, net					(51,884,539)
Interest income					451,796
Depreciation and amortisation	(6,847,793)	(1,795,007)	(148,577)	–	(8,791,377)
Unallocated depreciation and amortisation					(5,620,953)
Write-back of Impairment losses on property, plant and equipment	19,794	–	–	–	19,794
Write-back of Impairment losses on financial assets and contract assets	3,921,868	6,224	606,464	–	4,534,556
Finance expenses					(1,188,123)
Share of results of associate	–	–	839,273	–	839,273
Profit before tax					25,841,034
Income tax expense					(2,256,961)
Profit for the year					23,584,073
Assets:					
Additions to property, plant and equipment	2,808,613	1,117,813	657,379	–	4,583,805
Investment in an associate	–	–	6,043,800	–	6,043,800

40. SEGMENT INFORMATION (CONT'D)

(b) Geographical segments

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

	Singapore $	China $	Middle East $	Others $	Eliminations $	Total $
2022						
Revenue	227,013,438	66,040,811	99,704,800	35,223,070	–	427,982,119
Inter-segment sales	15,341,027	211,401	–	14,524,812	(30,077,240)	–
Segment revenue	242,354,465	66,252,212	99,704,800	49,747,882	(30,077,240)	427,982,119
2021						
Revenue	201,209,170	43,076,356	76,865,102	58,233,326	–	379,383,954
Inter-segment sales	18,212,056	244,888	–	10,882,686	(29,339,630)	–
Segment revenue	219,421,226	43,321,244	76,865,102	69,116,012	(29,339,630)	379,383,954

	Singapore $	China $	Middle East $	Others $	Eliminations $	Total $
2022						
Non-current assets	122,986,983	12,191,149	6,360,305	17,625,342	(54,803,216)	104,360,563
2021						
Non-current assets	133,168,878	11,635,462	7,072,334	18,644,936	(54,737,442)	115,784,168

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

Information about major customers

Revenue from two major customers amounted to approximately $121,200,000 (2021: $88,200,000), arising from both project works and plant maintenance and related services business segments.

41. EVENTS AFTER REPORTING PERIOD

Subsequent to year end, the Group is in the process of voluntary wind up its wholly-owned subsidiary, PEC Technology Consultancy Services (Huizhou) Ltd. There is no material financial impact on the closure of this subsidiary.

42. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 30 June 2022 were authorised for issue in accordance with a resolution of the directors on 29 September 2022.

Statistics of Shareholdings

As at 21 September 2022

ISSUED SHARES AND VOTING RIGHTS

Number of Issued shares (including Treasury Shares)	–	255,714,763
Number of Issued shares (excluding Treasury Shares)	–	254,493,826
Number / Percentage of Treasury Shares	–	1,220,937 (0.48%)
Voting rights	–	One vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	11	0.68	358	0.00
100 – 1,000	105	6.46	83,209	0.03
1,001 – 10,000	812	50.00	5,326,822	2.09
10,001 – 1,000,000	673	41.44	34,556,130	13.58
1,000,001 AND ABOVE	23	1.42	214,527,307	84.30
TOTAL	**1,624**	**100.00**	**254,493,826**	**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	33.69
Edna Ko Poh Thim[1]	35,505,844	85,750,000	121,255,844	47.65
Mark Ko Teong Hoon	23,624,475	–	23,624,475	9.28
Yeo Seng Chong[2]	2,275,000	11,178,900	13,453,900	5.29

Notes:

(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 1967.

(2) Yeo Seng Chong is deemed to have interests in the shares held by (i) his spouse, (ii) Yeoman Capital Management Pte Ltd ("YMCPL") and (iii) YMCPL's clients in its role as investment manager, by virtue of Section 4 of the SFA.

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	TIAN SAN COMPANY (PTE.) LIMITED	85,750,000	33.69
2	EDNA KO POH THIM	35,505,844	13.95
3	MARK KO TEONG HOON (GAO ZHONGXUN)	23,624,475	9.28
4	DB NOMINEES (SINGAPORE) PTE LTD	10,871,900	4.27
5	HO KIM LEE ADRIAN	7,668,200	3.01
6	YIM CHEE CHONG	5,126,000	2.01
7	DBS NOMINEES (PRIVATE) LIMITED	5,054,538	1.99
8	RAFFLES NOMINEES (PTE.) LIMITED	4,670,946	1.84
9	WONG PENG	4,594,056	1.81
10	PATRICIA KO POH CHENG	3,819,200	1.50
11	CITIBANK NOMINEES SINGAPORE PTE LTD	3,669,379	1.44
12	NG KHAN TEE	3,501,575	1.38
13	KO TEOH MEI SHU SUSIE	3,500,000	1.38
14	MELISSA PEONY LU TENG KO KUMAR	2,668,950	1.05
15	YEO SENG CHONG	2,275,000	0.89
16	PHILLIP SECURITIES PTE LTD	1,794,100	0.70
17	UOB KAY HIAN PRIVATE LIMITED	1,756,300	0.69
18	LEE MAY PENG MAISIE	1,750,000	0.69
19	ROBERT DOMPELING	1,725,844	0.68
20	KO LU SEIN	1,600,000	0.63
	TOTAL	**210,926,307**	**82.88**

PERCENTAGE OF SHAREHOLDING HELD IN PUBLIC HANDS

Based on the information available to the Company as at 21 September 2022, approximately 28.17% of the issued ordinary shares, excluding treasury shares, of the Company is held by the public and therefore, Rule 723 of the SGX-ST Listing Manual has been complied with

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 14 International Business Park, Singapore 609922, on Thursday, 27 October 2022 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 2022 and the Auditors' Report thereon. **(Resolution 1)**

2. To declare a Tax Exempt One-Tier Final Dividend of 2.5 cents per ordinary share and a Special Dividend of 1.0 cent per ordinary share for the financial year ended 30 June 2022. **(Resolution 2)**

3. To re-elect Ms Edna Ko Poh Thim, being a Director who retires by rotation pursuant to Article 114 of the Constitution of the Company. **(Resolution 3)**

4. To re-elect Mr David Wong Cheong Fook, being a Director who retires by rotation pursuant to Article 114 of the Constitution of the Company. [See Explanatory Note (i)] **(Resolution 4)**

5. To re-elect Mr Ngan Wan Sing Winston, 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 2023, 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 1967 (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)**

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

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

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

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

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

[See Explanatory Note (v)]. **(Resolution 10)**

By Order of the Board

Abdul Jabbar Bin Karam Din
Company Secretary

Singapore, 12 October 2022

EXPLANATORY NOTES:

(i) **Resolution 4** is to re-elect Mr David Wong Cheong Fook as a Director of the Company. Mr David Wong, upon re-election as a Director of the Company, will remain as the Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee and Remuneration Committee. Mr David Wong is the Lead Independent Director.

(ii) **Resolution 5** is to re-elect Mr Ngan Wan Sing Winston as a Director of the Company. Mr Ngan, upon re-election as a Director of the Company, will remain as member of the Audit and Risk Management Committee, Nominating Committee and Remuneration Committee. Mr Ngan 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 12 October 2022 (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 2022 is set out in paragraph 2.7 of the Letter.

(v) **Resolution 10** proposed item in 11 above, if passed is to authorise the Directors to (a) offer and grant Awards in accordance with the provisions of the Plan and (b) pursuant to Section 161of the Companies Act, to allot and issue shares in the capital of the Company pursuant to the vesting of Awards granted under the Plan, provided that the aggregate number of shares to be delivered pursuant to the vesting of Awards granted or to be granted under the Plan, when added to the number of shares issued and/or issuable in respect of such other share-based incentive schemes of the Company shall not exceed fifteen per cent (15%) of the total number of issued shares of the Company (excluding subsidiary holdings (as defined in the Listing Manual of the SGX-ST) and treasury shares) on the day preceding the relevant award date. As at the Latest Practicable Date, (a) apart from the Plan, there are no other share-based incentive schemes of the Company in force, and (b) Awards in respect of up to 33,931,836 shares have been granted under the Plan of which 3,636,626 shares have been released.

PERSONAL DATA PRIVACY:

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

NOTES :

1. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

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

   "**Relevant Intermediary**" has the meaning ascribed to it in Section 181 of the Companies Act which is specified in the proxy form.

3. 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.

A member (whether individual or corporate) must submit his/her/its Proxy Form as his/her/ its proxy (including the Chairman if he is appointed as 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 proxy or Chairman of the Meeting as proxy for that resolution will be treated as invalid.

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 (7) working days prior to the date of the AGM.

4. The instrument appointing a proxy, proxies or 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 shareregistry@incorp.asia , 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.

5. The Annual Report 2022 and the Letter to Shareholders dated 12 October 2022 in relation to the proposed renewal of the share purchase mandate may be accessed at the Company's website at http://www.peceng.com/html/investor_shareholders.php, and on the SGX website at the URL https://www2.sgx.com/securities/company-announcements.

   A member who wishes to request for a printed copy of the Annual Report 2022 may do so by completing and returning the Request Form which is sent to him/her/it by post to the Company, c/o In.Corp Corporate Services Pte. Ltd. by 19 October 2022.

Submission of questions prior to the AGM

6. 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.

7. The questions must be submitted no later than 3.00 pm Singapore time on 19 October 2022 via one of the following means:

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

   (b) by email to the Company's Share Registrar at shareregistry@incorp.asia.

8. 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.

9. 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.

10. A summary of the questions and responses will be published on SGXNET and the Company's website by 3.00 p.m. on 25 October 2022. For questions which are addressed during the AGM, the responses to such questions will be included in the minutes of the AGM which will be published on the SGXNET and the Company's website.

    IN VIEW OF THE ONGOING COVID-19 SITUATION, ALL PARTICIPANTS AT THE AGM WILL BE REQUIRED TO ADHERE TO SAFE MANAGEMENT MEASURES TO REDUCE THE RISK OF TRANSMISSION. ALL PARTICIPANTS MUST HAVE THEIR FACE MASKS ON AT ALL TIMES DURING THE PROCEEDINGS OF THE AGM. NO FOOD WILL BE SERVED AT THE AGM AND ONLY BOTTLED WATER WILL BE PROVIDED. THE COMPANY HAS THE DISCRETION TO REVIEW AND CALIBRATE THESE MEASURES AS IT DEEMS NECESSARY IN ITS DISCRETION IN LINE WITH THE EVOLVING COVID-19 SITUATION.

Voting by proxy

11. 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 shareregistry@incorp.asia

    in each case, no later than 3.00 p.m. on 25 October 2022, and failing which, the Proxy Form will not be treated as valid.

12. The instrument appointing the proxy, proxies or 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 a proxy, proxies or 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 a proxy, proxies or 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.

13. 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.

Supplemental Information on Director Seeking Re-Election at the 2022 Annual General Meeting

[Pursuant to SGX-ST Listing Manual Rule 720(6) and Appendix 7.4.1.]

Ms Edna Ko Poh Thim, Mr David Wong Cheong Fook and Mr Ngan Wan Sing Winston are the Directors seeking re-election at the AGM of the Company on 27 October 2022.

Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of SGX-ST is as follow:

Name of retiring director	Edna Ko Poh Thim	David Wong Cheong Fook	Ngan Wan Sing Winston
Date of first appointment	8 February 1984	8 January 2014	1 August 2022
Date of last re-appointment (if applicable)	23 October 2019	23 October 2019	Nil
Age	64	69	60
Country of principal residence	Republic of Singapore	Republic of Singapore	Republic of Singapore
Job Title	Executive Chairman	Non-Executive Lead Independent Director Chairperson of the Audit and Risk Management Committee Member of the Remuneration Committee Member of the Nominating Committee	Non-Executive Independent Director Member of the Audit and Risk Management Committee Member of the Remuneration Committee Member of the Nominating Committee
The Board's comments on the re-appointment (including rational, selection criteria, and the search and nomination process)	The Board considered the Nominating Committee's recommendation and assessment on Ms Edna Ko's skills, experience, and her contribution of guidance and time to the Board's deliberation and is satisfied that she will continue to contribute to the Board. The Nominating Committee and Board recommend the re-appointment of Ms Edna Ko Poh Thim as Executive Chairman of the Company.	The Board considered the Nominating Committee's recommendation and assessment on Mr David Wong's skills, experience, and his contribution of guidance and time to the Board's deliberation and is satisfied that he will continue to contribute to the Board. The Nominating Committee and Board recommend the re appointment of Mr David Wong as a Non-Executive Lead Independent Director of the Company.	Mr Ngan is subjected to retirement by rotation pursuant to Article 118 of the Company's Constitution. The Board considered the Nominating Committee's recommendation to re-elect Mr Ngan pursuant to Article 118 of the Company's Constitution. The Nominating Committee and Board recommend the re-appointment of Mr Ngan as a Non-Executive Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Chairman Ms Edna Ko is responsible for the Group's overall business strategy and development.	Non-Executive	Non-Executive
Professional qualifications	Bachelor of Business Administration	Chartered Accountant Bachelor of Arts (Honours) and Master of Arts from the University of Cambridge	Chartered Professional Accountant (Canada), Chartered Accountant (Singapore) and Certified Public Accountant (Australia).
Working experience and occupations(s) during the past 10 years	Executive Chairman, PEC LTD	Chairman, Republic Polytechnic	Partner and Head of Financial Services Assurance, Ernst & Young LLP
Shareholding interest in the Company and its subsidiaries	35,505,844 85,750,000 (other deemed interest)	78,000	None

Supplemental Information on Director Seeking Re-Election at the 2022 Annual General Meeting

[Pursuant to SGX-ST Listing Manual Rule 720(6) and Appendix 7.4.1.]

Name of retiring director	Edna Ko Poh Thim	David Wong Cheong Fook	Ngan Wan Sing Winston
Any relationship (including immediate family relationships) with any existing director/ existing executive officer, the Company and/ or substantial shareholder of the Company or any of its principal subsidiaries	Spouse of Mr Robert Dompeling	None	None
Conflict of interest (including any competing business)	None	None	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the Company	Yes	Yes	Yes
Other Principal Commitments including Directorships			
Past 5 years	PEC LTD.	Trusted Services Pte Ltd	Partner, Ernst & Young LLP
Present	**Director:** Audex Pte. Ltd. Huizhou Tianxin Petrochemical Engineering Co. Ltd ITR Re-Engineering Pte Ltd PEC Construction Equipment Leasing Company (Huizhou) Ltd PEC (Malaysia) Sdn Bhd PECI-Thai Co. Ltd PEC International Investments Pte Ltd Plant Electrical Instrumentation Pte Ltd Plant General Services Pte Ltd PEC Technology Consultancy Services (Huizhou) Ltd Testing Inspection & Solution Pte Ltd EBT Engineering Pte Ltd Asia Chemical Plant Consultant Services Pte Ltd Tian San Co. Pte Ltd Tian San Shipping Pte Ltd TS Harbour Services Pte Ltd	**Chairman:** Republic Polytechnic **Director:** Papua New Guinea Sustainable Development Programme Deep Identity Pte Ltd	**Director:** HSBC Bank (Singapore) Limited Azalea Asset Management Pte. Ltd. Vinfast Trading & Investment Pte. Ltd.

Supplemental Information on Director Seeking Re-Election at the 2022 Annual General Meeting

[Pursuant to SGX-ST Listing Manual Rule 720(6) and Appendix 7.4.1.]

For the three directors, Ms Edna Ko Poh Thim, Mr David Wong Cheong Fook and Mr Ngan Wan Sing Winston, seeking re-election have individually given a negative confirmation on each of the items (a) to (k) set out in Appendix 7.4.1 under Rule 720(6) of the SGX-ST Listing Manual.

Name of retiring director		Edna Ko Poh Thim	David Wong Cheong Fook	Ngan Wan Sing Winston
(a)	Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?	No	No	No
(b)	Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c)	Whether there is any unsatisfied judgment against him?	No	No	No
(d)	Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No	No	No
(e)	Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No	No	No
(f)	Whether at any time during the last 10 years, judgment has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No	No	No

Supplemental Information on Director Seeking Re-Election at the 2022 Annual General Meeting

[Pursuant to SGX-ST Listing Manual Rule 720(6) and Appendix 7.4.1.]

Name of retiring director		Edna Ko Poh Thim	David Wong Cheong Fook	Ngan Wan Sing Winston
(g)	Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h)	Whether he/she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i)	Whether he/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No	No	No
(j)	Whether he/she has ever, to his/her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of: (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?	No	No	No
(k)	Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

Explanatory Notes

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PEC LTD.

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

PROXY FORM

FOR ANNUAL GENERAL MEETING
(Please see notes overleaf before completing this Form)

IMPORTANT:

CPF/SRS Investors

1. For investors who have used their CPF monies to buy PEC Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF/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.

PERSONAL DATA PRIVACY

1. By submitting an instrument appointing a proxy and/or representative, the Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 October 2022.

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

of ____ (Address)

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

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

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

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

or failing him/her the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of the Company held at 14 International Business Park, Singapore 609922 on Thursday, 27 October 2022 at 3.00 p.m. and at any adjournment thereof.

The proxy/proxies shall vote for or against from voting on the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies may vote or abstain from voting at his/their discretion.

	For*	Against*	Abstain*
ROUTINE BUSINESS			
Ordinary Resolution 1 To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 30 June 2022 and the Auditors' Report thereon			
Ordinary Resolution 2 To declare a Tax Exempt One-Tier Final Dividend of 2.5 cents per ordinary share and a Special Dividend of 1.0 cent per ordinary share for the financial year ended 30 June 2022			
Ordinary Resolution 3 To re-elect Ms Edna Ko Poh Thim, being a Director who retires by rotation pursuant to Article 114 of the Constitution of the Company			
Ordinary Resolution 4 To re-elect Mr David Wong Cheong Fook, being a Director who retires by rotation pursuant to Article 114 of the Constitution of the Company			
Ordinary Resolution 5 To re-elect Mr Ngan Wan Sing Winston, being a Director who retires by rotation pursuant to Article 118 of the Constitution of the Company			
Ordinary Resolution 6 To approve the payment of Directors' fees of S$285,000 for the financial year ending 30 June 2023, to be paid quarterly in arrears			
Ordinary Resolution 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			
SPECIAL BUSINESS			
Ordinary Resolution 8 Authority for Directors to allot and issue new shares pursuant to Section 161 of the Companies Act 1967			
Ordinary Resolution 9 To approve the proposed Renewal of Share Purchase Mandate			
Ordinary Resolution 10 Authority for Directors to grant awards and allot and issue shares under the PEC Performance Share Plan			

* If you wish your proxy/proxies or Chairman of the AGM as 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 your proxy/proxies or Chairman of the AGM as 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 your proxy/proxies or 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 your proxy/proxies or the Chairman of the AGM as your proxy will be treated as invalid.

Dated this ______________ day of ____________ 2022

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____
Signature of Shareholder(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 2001), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.

2. A member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint up to two proxies to attend and vote in his stead. A proxy need not be a member of the Company. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.

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

4. Subject to note 11, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. 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.

   A member (whether individual or corporate) must submit his/her/its Proxy Form as his/her/ its proxy (including the Chairman if he is appointed as 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 proxy or Chairman of the Meeting as proxy for that resolution will be treated as invalid.

6. The instrument appointing a proxy, proxies or 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 shareregistry@incorp.asia, 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.

7. The Annual Report 2022 and the Letter to Shareholders dated 12 October 2022 in relation to the proposed renewal of the share purchase mandate may be accessed at the Company's website at http://www.peceng.com/html/investor_shareholders.php, and on the SGX website at the URL https://www2.sgx.com/securities/company-announcements.

8. The instrument appointing the proxy, proxies or 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 a proxy, proxies or 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 a proxy, proxies or 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.

9. 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.

10. 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.

11. A Relevant Intermediary is:

    (a) a banking corporation licensed under the Banking Act 1970, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

    (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or

    (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing the proxy/proxies or 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 proxy/proxies or 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 proxy/proxies or 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 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing the proxy/proxies or 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 12 October 2022.

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)

David Wong Cheong Fook
(Lead Independent Director)

Joy Tan Whei Mien
(Independent Director)

Pek Hak Bin
(Independent Director)

Winston Ngan Wan Sing
(Independent Director)

AUDIT AND RISK MANAGEMENT COMMITTEE

David Wong Cheong Fook
Chairman

Joy Tan Whei Mien
Pek Hak Bin
Winston Ngan Wan Sing

NOMINATING COMMITTEE

Joy Tan Whei Mien
Chairman

David Wong Cheong Fook
Pek Hak Bin
Winston Ngan Wan Sing

REMUNERATION COMMITTEE

Pek Hak Bin
Chairman

David Wong Cheong Fook
Joy Tan Whei Mien
Winston Ngan Wan Sing

COMPANY SECRETARY

Abdul Jabbar Bin Karam Din, LLB (Hons)

SHARE REGISTRAR

In.Corp Corporate Services Pte. Ltd.
(formerly known as RHT Corporate Advisory Pte. Ltd.)
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

INDEPENDENT AUDITOR

Ernst & Young LLP
Public Accountants and
Chartered Accountants
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge : Mr Adrian Koh
(since financial year ended 30 June 2022)

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
10 Marina Boulevard,
Marina Bay Financial Centre Tower 2
#48-01, Singapore 018983

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

REGISTERED OFFICE

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