Issuer: PEC Ltd.
Security: PEC Ltd.

Meeting details:
Date: 27 October 2017
Time: 3.00 p.m
Venue: Anson II Level 2, M Hotel, 81 Anson Road, Singapore 079908

Company Description
PEC Ltd. provides mechanical engineering and contracting services to the oil and gas, petrochemical, pharmaceutical, and oil and chemical terminal industries. The company operates in three segments: Project Works; Plant Maintenance and Related Services; and Other Operations. It offers engineering, procurement, construction, and maintenance services for various project works; project management and consultancy services; plant maintenance services, including plant turnarounds and upgrading, and makes up services; and mechanical, piping, structural, tankage, electrical and instrumentation, heat treatment, testing and isolation, painting and blasting, scaffolding, hot and cold thermal insulation, sound proofing, refractory and fireproofing, and hydro jetting services. The company also provides heavy machinery and construction equipment leasing services; civil, mechanical, and electrical engineering project services; and engineering technology, economic environmental, and health consultancy services. In addition, it engages in fabrication and engineering works; information technology and consultancy operations; the marketing and provision of CAR-BER tools and services; the commissioning of energy power, and utility and infrastructure related facilities and services; and dormitory activities. The company provides its services in Singapore, India, Malaysia, China, Indonesia, Myanmar, Thailand, Vietnam, and the United Arab Emirates. PEC Ltd. was founded in 1982 and is headquartered in Singapore.
(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=IX2)

Q1. As noted in the Chairman's Message (page 6 of the annual report), the group scored a strategic win in Vietnam of a single daily maintenance contract for the US$9 billion Nghi Son Refinery and Petrochemicals Complex (NSRP).

The group is also planning to invest in its ninth integrated fabrication and maintenance facility in Nghi Son to act as the base for NSRP Complex and the group's Vietnam expansion.

a) **Can management help shareholders understand on the scale of this new maintenance contract for NSRP Complex, relative to the group's existing maintenance operations?**

b) **When fully operational, what is the size of the engineering and technical team required to support the maintenance of the entire NSRP Complex? Are there sufficient engineering and technical resources in the group to support this new project?**

c) **What is the expected capital expenditure for the group's new facility in Nghi Son?**

d) **What are the other large scale EPC or maintenance projects in the pipeline in Vietnam that the group might be interested in bidding for?**

Q2. The impairment of trade receivables is one of the key audit matters in the Independent Auditor's Report (page 42). Key audit matters are those matters that, in the professional judgement of the Independent Auditor, were of most significance in the audit of the financial statements of the current period.

In FY2017, revenue dropped to $418.6 million from $575.1 million in 2016. Despite the 27% drop in revenue, trade receivables that are past due but not impaired increased from $22.9 million in 2016 to $70.1 million in 2017.

In Note 19 (page 99 – Trade receivables), the group has disclosed the aging as at the end of the reporting period:

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

(Source: Company annual report)

In particular, trade receivables past due by more than 90 days has increased nearly 5 times to $29.3 million.

In the past year, the group's trade receivables have been the subject of the SGX's queries following the group's release of the Third quarter and full year results.

a) **Can the group provide a breakdown of the profile of the debtors, including a breakdown to show the country and amount?**

b) **What is the upper limit of the aging for the trade receivables that are past due more than 90 days? Please show in small/meaningful bands.**

c) **As a follow-up to SGX's query, please update on the progress of the group's efforts in recovering the due trade receivables.**

d) **Given that the trade receivables past due between 61-90 days have also ballooned from $1.4 million to $19.1 million as at 30 June 2017, would the board and the Audit and Risk Management Committee (ARMC) consider these as early indications of possible credit deterioration?**

e) In terms of excessive risk concentration, the group has 50% of its trade receivables due from 1 customer located in the United Arab Emirates (page 119). **Can the board and the ARMC comment on how the group can better reduce and mitigate the excessive concentration of credit risk exposure?**

Q3. In the CEO's Message (page 12 – 14), several growth areas were mentioned, including:

- Middle East: Growing the presence in Abu Dhabi and Fujairah and exploring other opportunities in the UAE and around the region for EPC and maintenance
- Vietnam: More opportunities in NSRP
- Myanmar and Indonesia: EPC opportunities
- Malaysia: EPC and maintenance
- Singapore: Upgrading opportunities (EPC) and maintenance opportunities

a) **Can the CEO/the company help shareholders understand the competitive landscape in the major key cities/countries?**

b) **What are the opportunities that are expected to be tendered out in the year?**

c) **On top of organic growth, has the board considered strategic or opportunistic acquisitions that may propel the group to the next stage of growth?**