PEC LTD.
(Incorporated in the Republic of Singapore)
(Registration No. 198200079M)

ANNUAL GENERAL MEETING TO BE HELD ON 27 OCTOBER 2022
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

PEC Ltd ("PEC") would like to thank all Shareholders who submitted their questions in advance of our Annual General Meeting ("AGM") to be held physically at 3:00 p.m. on Thursday, 27 October 2022.

Please refer to our responses to these substantial and relevant questions from Shareholders and Securities Investors Association Singapore (SIAS) in the following pages.

By The Order of the Board

Abdul Jabbar Bin Karam Din
Company Secretary
25 October 2022

Responses to Substantial and Relevant Questions	
1	In the annual report, the CEO & Chairman statement indicated group order book at $128.4 Million. What is the order book for the maintenance work. Can the management shed indication on the Gross Margin for both group order.
Reply:	Unlike project works, maintenance services are not lump sum contracts. The maintenance work volume and scope are determined by our clients. The gross margin for maintenance and project order book are project, client and location dependent.
2	In the letter to shareholders on renewal of share purchase scheme, it was indicated that 150,000 shares was purchased via market purchase and is seeking shareholder approval for not more than 25,449,382 Shares (representing 10% of the issued Shares). As the group has cash holding of $157,645,315, please shed some light on why only 0.5% of the shares was purchased from the market and what is the target for the share purchase should shareholder approved the share purchase scheme in the coming EGM.
Reply:	In this particular case, the Company executed a share buyback for the purpose of meeting the performance share plan obligation.
3	In the consolidated statement of income, impairment for the year is $27,169,675, can the management comment whether there will be further impairment for the year YR 2023 as impairment is more than the profit for the year of $16,940,346.
Reply:	The Group mostly trades with recognized and creditworthy external parties. As we are now only 3 months into the new financial year, we are not able to comment for the year 2023.
4	With the shortage of migrant workers during the Circuit breaker period, how did the company overcome the challenge and produced a result with wider margin (excluding impairment). Is it very hard to sustain this kind of margin without any surprise on receivable collection?
Reply	Being in the list of essential services, the Company was allowed to operate during the circuit breaker albeit tightened controls. The Jobs Support Scheme (JSS) has helped the Company retain our local employees during the period of uncertainty as well as Foreign Worker Levy (FWL) rebates/waiver have also helped with the costs of our foreign workers.
5	Plant maintenance and related services dropped from SGD264M in 2019 to SGD187M in 2021 followed by recovery to SGD241M in 2022. Based on my understanding, maintenance should be recurring in nature and does not subject to wider swing. Am I wrong?

Reply	The maintenance work volume and scope are determined by our clients. During Covid-19 pandemic most of our clients' operations were constrained and they can only perform the most essential maintenance works.
6	While the Group business remains the same with revenues within a range of about SGD400M to SGD500M in the last 4 financial years, capitalized contract cost dropped from about SGD35M in FY2019 to less than SGD1M in FY2022, contract liabilities also dropped from about SGD58M in FY2019 to less than SGD8M in FY2022 and contract assets dropped from about SGD83M in FY2019 to about SGD47M in FY2022. What changed? Especially on capitalized contract cost and contract liabilities in term of operation and credit term given to customer.
Reply	Capitalized contract costs, contract assets and contract liabilities are different accounting terms that changes in accordance to the measurement of revenue progress and billing to project clients. In summary, the reduction is mostly due to completion of various projects during the year.
7	Impairment loss of about SGD27M is about 20% of PEC market cap. I wish chairman and CEO had comment more after a similar large impairment in 2020. More than SGD40M of impairment within 3 years. Can I ask and I believe it is reasonable to give shareholders a brief summary of what happened while leaving out sensitive information.
Reply	The Company took the prudent approach by issuing a profit warning on 20 August 2020 for the financial year ended 30 June 2020 as the Group was expected to report a loss for that financial year, mainly due to, significant impairment losses on certain outstanding trade receivables. This is in view of the difficulties faced in the collectability of such trade receivables.
8	Can the BODs give a brief comment on the nurturing of the next in line leaderships and whether they are ready. This is a follow up on my last year question.
Reply	As part the Company's succession plan, we have identified critical positions that will be needed to support our business continuity. This includes identifying skills and competencies next-generation employees will need to function well in key positions. We have developed a pool of talent to step into these critical positions. We also look for good external candidates for succession that are not necessarily already in traditional feeder positions.
9	Over the years, the performance of PEC has been outstanding in my view. May I know what kind of condition, planning and resources are needed for PEC to generate SGD1 billion in yearly revenue within the next 10 year?

Reply	Through our continuous efforts to expand our geographical footprint and continuously improve on our capabilities, it is possible to see further revenue gains. However, for a successful further development the group requires the market to remains favorable with healthy level of demand for our services in the traditional energy, green energy and chemical sectors.
10	Page 26 of the Annual Report states that the remuneration for each of the two Executive Directors is in the band of S$1.75 to S$2m, and the performance bonus of Executive Directors are calculated based on the consolidated profit before tax and extraordinary items. Does this profit figure include impairment losses on receivables and government grants? What are the extraordinary items that are not taken into account for the calculation?
Reply	Yes, the profit figure includes impairment losses on receivables and government grants. There are no extraordinary items not taken into account.
11	What measures has PEC taken to ensure that the impairment of receivables seen in 2020 and 2022 will not recur? How has the risk assessment process been tightened in the past two years?
Reply	We continue to follow up closely on overdue payments from our clients and conduct suitable and sufficient risk assessments before accepting new clients. The Group trades 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. In view of Covid-19 pandemic, certain clients' businesses faced cashflow issues.
12	For the financial year ended 30 June 2022, revenue increased by about 13% to about $428.0 million, mainly due to a 28% year-on-year increase in contribution from the provision of maintenance services and turnaround work in the region. It is noted by management that many energy majors are making accelerating commitments to a low carbon energy transition. However, these companies continue to allocate significant new investments to oil and gas projects as the global oil demand forecasts in 2022 and 2023 remain strong. (i) Has the group been negatively impacted by capacity reductions announced by Shell in Singapore? Should the planned reductions by the customer come into effect, how does the group mitigate the likely reduction in the scope of the group's maintenance services, plant turnaround and project services with the said customer? (ii) Is the group affected by manpower shortages in Singapore and other key cities? If so, how is the group managing this? (iii) Revenue from China increased from $43.1 million in FY2021 to $66.0 million in FY2022. Can management help shareholders better understand the sentiments on the ground in Huizhou given the country's zero-COVID policy?

		How is the group managing the disruptions to the operations, possibly due to lockdowns or supply chain constraints?
	(iv)	Having acquired the remaining 51% interest in Plant Electrical Instrumentation Pte Ltd, how will management be growing the business?
	(v)	Management has disclosed that the Middle East is a promising market for the group, especially in chemicals and 'green' projects. The group is "exploring opportunities to add new engineering and fabrication facilities in Oman and the UAE". These are envisaged to allow the group to capture fresh opportunities in the region's growing pipeline of maintenance and project works contracts. What is the group's competitive advantage in the Middle East? The group has had difficulties in collecting its debt in the Middle East. What changes will management make to the group's business model and risk management framework should it proceed with the planned expansion in the Middle East? How much capital has been earmarked to support this expansion?
Reply	(i)	Shell Singapore has announced the reduction of crude refining capacity to lower its carbon footprint and produce cleaner fuels and build its first pyrolysis oil upgrader. The Company continues to serve Shell providing maintenance services, plant turnaround and project services and the volume of work will depend on Shell's operational needs.
	(ii)	There is global shortage of skilled and qualified labour and the energy sector in Singapore is no different as the economies recover from the Covid-19 pandemic of the past two years. Though the labour market is expected to ease as borders reopen, we still find it challenging to fill job vacancies particularly in Singapore. We will continue to utilize all the available resources to us and put in efforts to recruit and train new staff both in Singapore and overseas locations.
	(iii)	The current zero Covid prevention and control policy in China did not have a significant impact on Huizhou Tianxin (HZTX) operations. In fact, HZTX successfully completed a plant turnaround in Huizhou in FY2022. HZTX follows the strict control policies of the PRC government, and at the same time formulates its own emergency plans and stocks sufficient epidemic prevention materials to meet the sudden short-term local area lockdown
	(iv)	The Company strives to be a single-source services provider and Plant Electrical Instrumentation (PEI) serves to support as one of the key disciplines of work activity for PEC to enable us to be a single-source service provider. By acquiring the shares in PEI, we will be able to keep the essential electrical and instrumentation services within PEC and offer a one-stop services to meet the expectations of our clients.
	(v)	The Group will continue to place more emphasis to grow our business in the Middle East which have seen significant growth.

13	On the first page of the annual report, the group highlighted the need for humankind to transition to "net-zero world" as called for in the Paris Agreement. The group utilization that it has to remain resilient and focused on adding 'green' capabilities that will strengthen its reputation in the changing energy and chemical sectors. (i) How much of the group's activities in FY2022 (as a percentage of revenue) would be considered "green"? (ii) What are the achievements and/or key projects by the group in the areas of LNG/natural gas and hydrogen in the past 2-3 years? (iii) What is the group's expertise in carbon capture, utilization and storage ("CCUS") technologies? How is the group helping its customers (and potential customers) to integrate CCUS technologies into their systems? (iv) Has the board set a target for the group in terms of revenue contribution from "green" projects and services? (v) To help shareholders better understand how the group is positioning itself in this energy transition, can the board/management map out the group's 5-year/10-year plan, clearly identifying the strategic growth drivers and stating its goals and targets?
Reply:	(i) Contribution from 'green' projects is not significant yet as the transition to greener energy sources is still in the early stages of development. (ii) The Group has worked with strategic partners on LNG and cryogenic projects. The Group has also built-up capabilities to build modular process and gas compression solutions for offshore and onshore facilities. (iii) CCUS technologies are at varying levels of maturity today and is a proprietary technology. The use of CCUS technology requires significant investment in terms of high cost of equipment and materials to store CO2, and to build an infrastructure to transport and then store it. The Group is keenly interested in carbon capture technologies and keen to participate in these future projects. (iv) The board does not have a specific target for the Group in terms of revenue contribution from 'green' projects and services because the transition to greener energy sources is still in early stages of development. (v) As climate change is pushing more investments into the 'green' energy sector, the Group will continue to expand its engineering and construction capabilities for the new cleaner energy business especially where it involves facilities for the manufacturing, handling and storage of 'green' energy gases. We will continue to build up this new area of business to capture opportunities presented by this energy transition and we believe it will contribute to the orderbook in the near to medium term.

14	The group once again recognised a large specified impairment, of about $22.0 million, for long overdue amounts related to a completed overseas project. In FY2020, the company, in its unaudited financial results, provided the full impairment of about $43.0 million before reversing part of the impairment. Eventually, in the audited financial statement for the financial year ended 30 June 2020, the group made a provision of about $10.7 million for the long outstanding receivables due from this customer. With the most recent impairment, it would appear that the group has now impaired about $32.7 million out of the about $43.0 million in receivables from this one customer. (i) Can management disclose the amount received by the group between October 2020 and December 2020 from the said customer? (ii) What were the efforts by management to follow up with the customer to collect the remaining outstanding amounts since December 2020? When asked by shareholders in December 2020, the company said that the group then had an ongoing project with the customer. (iii) Has the group worked with the customer on any projects in 2021 and 2022? If so, did management ensure that the group was paid upfront for any additional projects with the said customer? Are there any ongoing dealings with the customer? (iv) What is the current financial status of the customer after its successful fund-raising exercise in 2020? Would the company consider identifying the customer? (v) Has the board considered going to court to enforce the group's rights?
Reply	(i) The amount is about SGD8 million. (ii) Discussions have been ongoing with the customer since December 2020. (iii) The ongoing project was completed in FY2022. There is currently no outstanding project work with the Customer, save for ongoing contractual commitments of the Group during the defects liability period for completed projects. (iv) We are not able to comment on the customer's current financial status. (v) Discussions are ongoing on the options available to the Group.