Securities Investors Association (Singapore)
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UEN No: S99SS0111B
GST Reg No: M90367530Y

Issuer: PEC Ltd

Stock code: IX2

Meeting details:
Date: 27 October 2022
Time: 3.00 p.m.
Venue: 14 International Business Park, Singapore 609922

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Q1. For the financial year ended 30 June 2022, revenue increased by 13% to $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 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 (see Q3). **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?**

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Q2. 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 recognised 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, utilisation 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?**

Q3. The group once again recognised a large specified impairment, of $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 $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 $32.7 million out of the $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?**

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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?**

^On 1 October 2020, the Accounting and Corporate Regulatory Authority ("ACRA"), the Monetary Authority of Singapore ("MAS") and Singapore Exchange Regulation ("SGX RegCo") published an updated checklist to guide listed entities on the conduct of general meetings arising from the latest updates from the Multi-Ministry Taskforce.

Issuers may continue to conduct their general meetings held on or before 30 June 2021 via electronic means, and are encouraged to do so. On 9 April 2021, it was announced that the alternate arrangements for meetings ("Meetings Order") would be extend beyond 30 June 2021 until it is revoked or amended by the Ministry of Law. Accordingly, until such time, issuers may continue to utilise the Checklist issued by ACRA, MAS and SGX RegCo to guide entities on the conduct of their general meetings.

Issuers who, after due consideration of public health and other risks, wish to provide for physical attendance at their general meetings must ensure that they implement all relevant measures to comply with the safe management measures imposed by the Singapore Government.

Shareholders are welcome to use and/or adapt the questions prepared by SIAS and to forward them to the company.

Can't attend the AGM or view the webcast? Check out the latest questions on the annual reports of listed companies on SIAS website

Join our mailing list here to receive latest news and upcoming events.

^ Guidance on the Conduct of General Meetings Amid Evolving COVID-19 Situation (https://www.sgx.com/media-centre/20201001-guidance-conduct-general-meetings-amid-evolving-covid-19-situation)

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