

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

**REPLY TO SGX QUERY ON THE THIRD QUARTER FINANCIAL
STATEMENTS FOR THE PERIOD ENDED 31 MARCH 2017
(‘Results Announcement’)**

In response to queries by the SGX in its notification on 31 May 2017, the Board of Directors of the Company would like to provide the following explanations in relation to the Results Announcement:-

SGX’s Query:

In the Financial Results, the Company recorded an amount of S\$102.98 million under Trade Receivables as at 31 March 2017, an increase of S\$15.5 million from the amount of S\$87.44 million recorded as at 30 June 2016. Please provide details of the underlying transactions that led to the increase of Trade Receivables given that the Company’s revenue has decreased by 6%, from S\$117.7 million in 3QFY2016 to S\$110.9 million for 3QFY2017.

Company’s response:

PEC Group is a specialist engineering group servicing the oil and gas, petrochemical, pharmaceutical, and oil and chemical terminal industries. Our two core business activities are project works and maintenance services. In accordance with the Group accounting policies, “Revenue” for contract is recognized based on percentage of completion method. This is computed based on the ratio of costs incurred to date on contracts to their estimated total costs. Whereas, “Trade Receivables” are recognized when invoices are being issued to customers according to the billings arrangement agreed with customers.

The timing difference noted between the billing and revenue recognized for projects in progress has resulted in the significant increase in Trade Receivables noted in the current quarter.

Of the \$102.98 million Trade Receivables as at 31 March 2017, approximately S\$42.44 million relates to current debts that are not overdue and \$60.54 million relates to past due receivables. Based on past experiences, customers typically settle their outstanding balances within the credit term period, ranging from 45 to 60 days. As at 1 June 2017, the Group has collected approximately S\$17.90 million out of S\$60.54 million subsequent to 31 March 2017. The balance of approximately S\$42.64 million past due receivables relates to the Group’s maintenance and project works including retention monies.

Submitted by Edna Ko Poh Thim, Executive Chairman on 5 June 2017 to the Singapore Exchange Securities Trading Limited.