

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

**REPLY TO SGX QUERY ON THE THIRD QUARTER RESULTS FOR PERIOD ENDED 31
MARCH 2018 ('Results Announcement')**

In response to queries by the SGX in its notification on 31 May 2018, the Board of Directors of the Company would like to provide the following explanations in relation to the Results Announcement:-

SGX's Query:

Please provide a financial performance review for 3Q2018 against 3Q2017 as well as a breakdown of the material items on the following:-

- a. Other operating income
- b. Administrative expenses

Company's response:

Other operating income

Other operating income decreased by approximately S\$2.6 million from S\$3.1 million in Q3 FY2017 to S\$0.5 million in Q3 FY2018. This was mainly due to a decrease in GST tax refund of approximately S\$1.3 million, insurance claims of approximately S\$0.7 million, and proceeds of approximately S\$0.3 million from scrapped materials in Q3 FY2018.

Breakdown of material items for other operating Income

	Q3 FY2018 S\$'000	Q3 FY2017 S\$'000	Difference S\$'000
GST tax refund	-	1,324	(1,324)
Insurance claim	58	801	(743)
Proceeds from scrapped materials	51	386	(335)
Others	405	623	(218)
Total	514	3,134	(2,620)

Administrative expenses

Administrative expenses increased by approximately S\$1.3 million from S\$5.9 million in Q3 FY2017 to S\$7.2 million in Q3 FY2018. This was mainly due to an increase in salaries and bonuses. The increase in the line item “salaries and bonuses” was the result of a higher provision for bonus incentives of approximately S\$0.8 million. In addition, the salary cost has also increased by approximately S\$0.5 million. This was mainly due to the business expansion and increased activities in Singapore, Vietnam and India.

Breakdown of material items for administrative expenses

	Q3 FY2018 S\$'000	Q3 FY2017 S\$'000	Difference S\$'000
Salaries and bonuses	5,578	4,231	1,347
Telecommunication and utilities	445	467	(22)
Legal and professional Fees	452	724	(272)
Land and property tax	122	95	27
Lease rental of office equipment	54	14	40
Others*	537	376	161
Total	7,188	5,907	1,281

* the line item “Others” comprises printing and stationery, postages, trade licencing fees, maintenance of office equipment, admin sundry expenses, membership and subscription.

Submitted by Edna Ko Poh Thim, Executive Chairman on 4 June 2018 to the Singapore Exchange Securities Trading Limited.