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

ONGOING INVESTIGATIONS ON MISAPPROPRIATION OF MONIES AT A SUBSIDIARY IN THE PEOPLE'S REPUBLIC OF CHINA

The Board of Directors of PEC LTD. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to inform shareholders of the Company (the "**Shareholders**") that the Group has discovered a case of fraud at its wholly-owned subsidiary in the People's Republic of China ("**PRC**"), PEC Construction Equipment Leasing Co. (Huizhou) Ltd ("**PEC CEL**"). As at the date of this announcement, it was discovered that, based on preliminary findings, an estimated aggregate amount of approximately RMB8.19 million (approximately S$1.61 million, based on the exchange rate of S$1:RMB 5.0794) was misappropriated from PEC CEL's accounts by an employee of PEC CEL. As investigations are still ongoing, the Company will provide an update on the total amount misappropriated once the investigations have concluded.

The Company came to know of this case when a director of PEC CEL instructed the employee concerned, who was the accountant of PEC CEL, to effect a remittance of approximately RMB20 million from PEC CEL to another wholly-owned subsidiary of the Company in mid-July 2020. As only approximately RMB15 million was eventually remitted by PEC CEL, the employee admitted to the director of PEC CEL of previously misappropriating PEC CEL's funds, which resulted in PEC CEL having insufficient funds to effect the full remittance. Upon subsequent preliminary investigations, it was discovered that the employee had misappropriated an estimated aggregate amount of approximately RMB8.19 million.

Since the discovery of the misappropriation up to the date of this announcement, the following actions have been taken by the Company:

(a) the employment of the employee concerned was terminated and PEC CEL's finance and administrative functions have been assumed by the finance team of Huizhou Tianxin Petrochemical Engineering Co. Ltd, a wholly owned subsidiary of PEC in the People's Republic of China (PRC);

(b) an internal investigation team was commissioned to investigate the case and propose additional measures and controls to negate a repeat of this incident;

(c) a police report has been lodged and the case is currently under investigation by the police in Huizhou City Guangdong Province; and

(d) legal counsel in the PRC has been appointed to assist in the recovery of the misappropriated monies.

The Company will engage its existing internal auditors to review and ensure the effectiveness and completeness of the internal controls of PEC PRC companies implemented. The internal controls of PEC CEL will also be reviewed by the Group's Finance team and the Audit and Risk Management Committee and measures will be taken to continuously strengthen these controls.

The Company is actively pursuing legal recourse to recover the misappropriated monies.

While the misappropriation of approximately RMB8.19 million (based on preliminary findings) is not expected to have any material impact on the consolidated net tangible assets per share of the Group for the financial year ended 30 June 2020, the Board expects such misappropriation to have a material impact on the profit after tax and the consolidated earnings per share of the Group for the same period.

The impact of this misappropriation will be reflected in the financial statements of the Group for the financial year ended 30 June 2020.

The Company will update Shareholders by way of further announcement(s) as and when there are material development(s) and as appropriate.

In the meantime, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company, and to refrain from taking any action in respect of their shares in the Company which may be prejudicial to their interests. Shareholders should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers, if they have any doubt about the actions that they should take.

Submitted by Edna Ko Poh Thim, Executive Chairman on 11 August 2020 to the SGX-ST.