

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

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**ACQUISITION OF THE REMAINING 40.0% EQUITY IN EXISTING SUBSIDIARY,  
HUIZHOU TIANXIN PETROCHEMICAL ENGINEERING CO. LTD**

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**1. INTRODUCTION**

The Board of Directors ("**Directors**") of PEC Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce that it has on 15 June 2020 entered into a sale and purchase agreement (the "**SPA**") with 中石化南京工程有限公司 (Sinopec Nanjing Engineering Co. Ltd) ("**Sinopec Nanjing**") and 中石化洛阳工程有限公司 (Sinopec Luoyang Engineering Co. Ltd) ("**Sinopec Luoyang**") (together, the "**Vendors**"), pursuant to which the Company will acquire the following:

- (a) 30% of the total equity interest ("**Equity**") in the registered capital of 惠州天鑫石化工程有限公司 (Huizhou Tianxin Petrochemical Engineering Co. Ltd) ("**Tianxin**"), a subsidiary of the Company, held by Sinopec Nanjing; and
- (b) 10% Equity in Tianxin held by Sinopec Luoyang

(collectively, the "**Sale Equity**") for an aggregate cash consideration (the "**Consideration**") of RMB 37,478,720 (equivalent to S\$7,372,346<sup>1</sup> (the "**Acquisition**").

Following completion of the Acquisition, Tianxin will be a wholly-owned subsidiary of the Company.

**2. INFORMATION ON TIANXIN**

- 2.1. General Information.** Tianxin is a Sino-foreign joint venture company established in the People's Republic of China ("**PRC**") between the Company, Sinopec Nanjing and Sinopec Luoyang on 11 October 2005.

As at the date of this Announcement, the Company holds 60% Equity in Tianxin, with Sinopec Nanjing and Sinopec Luoyang holding the remaining 30.0% and 10.0% Equity in Tianxin, respectively.

Tianxin is engaged principally in the business of engineering construction and maintenance, precision instrument and equipment maintenance, engineering consultation and procurement, and general contracting of petroleum, chemical, pharmaceutical, oil and gas product storage and transportation equipment.

- 2.2. Registered Capital.** As at the date of this Announcement, Tianxin has a registered capital of RMB 15,000,000.

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<sup>1</sup> Unless otherwise indicated, RMB amounts in this announcement have been translated into S\$ amounts based on the exchange rate of S\$1: RMB 5.08369 as at 15 June 2020, as quoted by OANDA Corporation.

**2.3. Certain financial Information.** Based on the latest unaudited financial statements of Tianxin for the six (6) months ended 31 December 2019 ("**1H 2020**"), as at 31 December 2019:

- (a) the book value of the Sale Equity in Tianxin was RMB 29,274,094 (equivalent to S\$5,652,788<sup>2</sup>);
- (b) the net asset value ("**NAV**") of Tianxin was RMB 73,185,234 (equivalent to S\$14,131,970<sup>3</sup>); and
- (c) the net profits before income tax of Tianxin were RMB 9,124,359 (equivalent to S\$1,777,103<sup>4</sup>).

Based on a valuation by 上海东洲资产评估有限公司 (Shanghai Dongzhou Asset Appraisal Co. Ltd) and commissioned by the Company ("**Valuation**"), using an assets-based valuation approach, as at 28 February 2019:

- (a) the total assets of Tianxin are valued at RMB 162,549,800 (equivalent to S\$31,974,766);
- (b) the total liabilities of Tianxin are valued at RMB 68,853,000 (equivalent to S\$13,543,902); and
- (c) 100% Equity and the Sale Equity are valued at RMB 93,696,800 (equivalent to S\$18,430,864) and RMB 37,478,720 (equivalent to S\$7,372,346), respectively.

### **3. KEY TERMS OF THE ACQUISITION**

**3.1. Consideration.** The Consideration is RMB 37,478,720 (equivalent to S\$7,372,346), comprising:

- (a) RMB 28,109,040 for the 30% Equity held by Sinopec Nanjing; and
- (b) RMB 9,369,680 for the 10% Equity held by Sinopec Luoyang,

of which a sum of RMB 11,240,000 (equivalent to S\$2,210,992) was paid by the Company as deposit prior to the signing of the SPA to a third-party PRC property listing and trading platform (through which the Acquisition is effected) and the balance Consideration of RMB 26,238,720 (equivalent to S\$5,161,354) will be paid by the Company within 5 working dates from the date of the SPA to the platform and thereafter transferred to the Vendors.

The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the Valuation.

The Consideration is financed by way of internal resources.

**3.2. Completion.** The parties will cooperate to complete the Acquisition within 60 working days from the date of the SPA (being 15 June 2020).

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<sup>2</sup> Based on the historical exchange rate as at the preparation of the 1H 2020 financial statements  
<sup>3</sup> Based on the historical exchange rate as at the preparation of the 1H 2020 financial statements  
<sup>4</sup> Based on the historical exchange rate as at the preparation of the 1H 2020 financial statements

#### 4. RATIONALE FOR THE ACQUISITION

The Group is an engineering specialist providing project works, maintenance services and other related services to the oil and gas, petrochemical, oil and chemical terminals and pharmaceutical industries in Asia and the Middle East.

As mentioned in paragraph 2.1, Tianxin is a joint venture between the Company and the Vendors. The Group has held 60% Equity in Tianxin since its incorporation in 2005. As the duration of the joint venture (as agreed between the parties from time to time) had expired, the Company is now undertaking the Acquisition to acquire the remaining 40.0% Equity from Sinopec Nanjing and Sinopec Luoyang. Following the Acquisition, the Company intends to continue Tianxin's business in the long-term, and there are no plans to introduce any major changes to its business.

#### 5. FINANCIAL EFFECTS OF THE ACQUISITION

**5.1. Bases and Assumptions.** The financial effects of the Acquisition are purely for illustrative purposes and should not be taken as an indication of the actual financial performance of the Group following the Acquisition nor a projection of the future financial performance or position of the Group after the completion of the Acquisition.

The financial effects of the Acquisition were computed based on the audited consolidated financial statements for the Group and the audited financial statements of Tianxin for FY 2019 and on the following assumptions:

- (a) the financial effects on the Group's net tangible assets ("**NTA**") are computed assuming the Acquisition was completed on 30 June 2019;
- (b) the financial effects on the Group's earnings per share ("**EPS**") are computed assuming that the Acquisition was completed on 1 July 2018; and
- (c) the NTA per share is computed based on 255,714,763 ordinary shares ("**Shares**") in the capital of the Company in issue (excluding treasury shares) as at 30 June 2019, and the EPS of the Group is computed based on the weighted average number of 254,811,554 Shares in issue for FY 2019.

#### 5.2. NTA.

	Before the Acquisition	After the Acquisition
NTA attributable to the owners of the Company <sup>(1)</sup> (S\$'000)	229,831	224,262
NTA per Share (S\$)	0.90	0.88

**Note:**

- (1) NTA means total assets less the sum of total liabilities, non-controlling interests and intangible assets.

### 5.3. EPS.

	Before the Acquisition	After the Acquisition
Earnings after tax attributable to shareholders (S\$'000)	8,281	9,290
EPS (in cents)	3.2	3.6

## 6. RELATIVE FIGURES FOR THE ACQUISITION

Based on (i) the unaudited consolidated financial statements of the Group for 1H 2020, and (ii) the unaudited financial statements of Tianxin for 1H 2020, the relative figures of the Acquisition computed on the bases set out in Rule 1006 of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "**Listing Manual**") are as follows:

Rule 1006	Bases	Relative Figure
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	Not applicable as this involves an acquisition
(b)	The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits. <sup>(1)</sup>	7.72% <sup>(2)</sup>
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares. <sup>(3)</sup>	6.33%
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as no equity securities are issued by the Company as consideration for the Acquisition
(e)	The aggregate volume or amount proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable to the Acquisition

#### Notes:

- (1) "Net profits" means profit or loss before income tax and non-controlling interests. The net profits attributable to the Sale Equity is S\$710,841, being 40.0% of S\$1,777,103, based on the unaudited financial statements of Tianxin for 1H 2020.
- (2) Based on the Group's 1H 2020 results, as stated in the Company's financial results released on 13 February 2020.
- (3) Based on the Consideration of RMB 37,478,720 (equivalent to S\$7,372,346) and the Company's market capitalisation of S\$116,499,550 (determined by multiplying the total number of Shares in issue (excluding treasury Shares) (i.e. 254,643,826 Shares) by the volume weighted average price of S\$0.4575 per Share transacted on 12 June 2020, being the last full market day preceding the date of the SPA where the Shares were traded).

Based on the above figures, the Acquisition is a disclosable transaction under Rule 1010 of the Listing Manual and is not subject to shareholders' approval under Rule 1014(2) of the Listing Manual.

**7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS**

Save for their shareholding interests in the Company, none of the Directors nor any controlling shareholders of the Company has an interest, direct or indirect, in the Acquisition.

**8. DIRECTORS' SERVICE CONTRACTS**

No Director is proposed to be appointed to the Company in connection with the Acquisition. Accordingly, there is no service contract proposed to be entered into between the Company and any such person.

**9. DOCUMENTS FOR INSPECTION**

Subject to prevailing regulations, orders, advisories and guidelines relating to safe distancing which may be issued by the relevant authorities, a copy of each of the SPA and the Valuation report are made available for inspection during normal business hours at the Company's registered office at 21 Shipyard Road, Singapore 628144 for a period of three (3) months from the date of this announcement.

Submitted by Edna Ko Poh Thim, Executive Chairman on 16 June 2020 to the SGX-ST.