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

DISPOSAL OF 25% EQUITY IN WHOLLY-OWNED SUBSIDIARY, HUIZHOU TIANXIN PETROCHEMICAL ENGINEERING CO., LTD., AND ENTRY INTO SHAREHOLDERS' AGREEMENT

1. INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of PEC Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that on 6 May 2021:

(a) the Company had entered into a sale and purchase agreement ("**SPA**") with 惠州齐安企业管理有限公司 (Huizhou Qi An Enterprise Management Co., Ltd), 惠州牟盛企业管理有限公司 (Huizhou Mu Sheng Enterprise Management Co., Ltd) and 惠州泽熙企业管理有限公司 (Huizhou Ze Xi Enterprise Management Co., Ltd) (together, "**Purchasers**"), pursuant to which the Company will sell to the Purchasers an aggregate of 25% ("**Sale Equity**") of the total equity interest ("**Equity**") in the registered capital of the Company's wholly-owned subsidiary, 惠州天鑫石化工程有限公司 (Huizhou Tianxin Petrochemical Engineering Co., Ltd.) ("**Tianxin**") for an aggregate cash consideration ("**Consideration**") of RMB7.5 million (equivalent to S$1.5 million)[(1)] ("**Disposal**"); and

(b) in connection with the Disposal, the Company had entered into a shareholders' agreement ("**SHA**") with the Purchasers in respect of Tianxin.

2. INFORMATION ON TIANXIN AND THE PURCHASERS

2.1 Tianxin

General information. Tianxin is a private company incorporated in the People's Republic of China ("**PRC**") and is a wholly-owned subsidiary of the Company. 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.

Registered capital. As at the date of this announcement, Tianxin has a registered capital of RMB15,000,000.

1 Save for the S$ amounts in paragraph 2.1(a) to (c), which are based on the historical exchange rate as at the preparation of the 1H2021 financial statements , all other RMB amounts in this announcement which have been translated into S$ amounts are based on the exchange rate of S$1: RMB4.8449 as at 6 May 2021, as quoted by OANDA Corporation.

Certain financial information. Based on the latest announced unaudited financial statements of Tianxin for the six-months ended 31 December 2020 ("**1H2021**"), as at 31 December 2020:

(a) the book value of the Sale Equity in Tianxin was RMB7,500,000 (equivalent to S$1,518,004);

(b) the net asset value of Tianxin was RMB30,000,000 (equivalent to S$6,072,014); and

(c) the net profits before income tax of Tianxin was RMB11,471,793 (equivalent to S$ 2,306,213).

No independent valuation was conducted for the Disposal.

Following completion of the Disposal, the Equity shareholding ratio of Tianxin will be as follows:

Shareholders	**Equity Interests (%)**	**Registered Capital (RMB)**
Company	75%	11,250,000
Huizhou Qi An Enterprise Management Co., Ltd	12%	1,800,000
Huizhou Mu Sheng Enterprise Management Co., Ltd	7%	1,050,000
Huizhou Ze Xi Enterprise Management Co., Ltd	6%	900,000
Total	100%	15,000,000

2.2 Purchasers

Huizhou Qi An Enterprise Management Co., Ltd

Huizhou Qi An Enterprise Management Co., Ltd is a company incorporated and existing under the laws of the People's Republic of China and carries on the business of enterprise management, enterprise image planning, meeting and exhibition services. Its sole shareholder is Pan Zhong, who is a key management executive officer and the legal representative of Tianxin. As at the date of this announcement, neither Huizhou Qi An Enterprise Management Co., Ltd nor Pan Zhong have any shareholding interests in the Company.

Huizhou Mu Sheng Enterprise Management Co., Ltd

Huizhou Mu Sheng Enterprise Management Co., Ltd is a company incorporated and existing under the laws of the People's Republic of China and carries on the business of enterprise head quarter management, enterprise management. Its sole shareholder is Wang Yang, who is a key management executive officer of Tianxin. As at the date of this announcement, neither Huizhou Mu Sheng Enterprise Management Co., Ltd nor Wang Yang have any shareholding interests in the Company.

Huizhou Ze Xi Enterprise Management Co., Ltd

Huizhou Ze Xi Enterprise Management Co., Ltd is a company incorporated and existing under the laws of the People's Republic of China and carries on the business of engineering (cost estimation) consultancy services, enterprise management, manpower services. Its sole shareholder of is Cao Feng, who is a key management executive officer of Tianxin. As at the date of this announcement, neither Huizhou Ze Xi Enterprise Management Co., Ltd nor Cao Feng have any shareholding interests in the Company.

3. PRINCIPAL TERMS OF THE DISPOSAL AND THE SHAREHOLDERS' AGREEMENT

3.1 Consideration for the Sale Equity

The aggregate Consideration is RMB7,500,000 (equivalent to S$1,548,019), comprising:

(a) RMB3,600,000 (equivalent to S$743,049) payable by Huizhou Qi An Enterprise Management Co., Ltd for 12% of Tianxin's Equity;

(b) RMB2,100,000 (equivalent to S$433,445) payable by Huizhou Mu Sheng Enterprise Management Co., Ltd for 7% of Tianxin's Equity; and

(c) RMB1,800,000 (equivalent to S$371,525) payable by Huizhou Ze Xi Enterprise Management Co., Ltd for 6% of Tianxin's Equity.

The Consideration was arrived at on a willing-buyer and willing-seller basis, taking into account, *inter alia*, the net asset value of the Sale Equity and the rationale for undertaking the Disposal as set out in Paragraph 4 of this announcement.

3.2 Completion

The Purchasers shall within 3 months from the date of execution of the SPA transfer their respective Consideration amounts to the Company to effect the transfer of Equity in the capital of Tianxin.

3.3 Other key terms under the SHA

Under the SHA, the board of directors of Tianxin will comprise a maximum of 4 directors, of whom the Company is entitled to appoint 3 directors, and the Purchasers comprising 25% shareholding are entitled to appointed 1 director.

Pursuant to the SHA, Pan Zhong will remain appointed as the legal representative of Tianxin.

Under the SHA, certain customary matters require shareholders holding more than (i) two-thirds (2/3) of the registered capital of Tianxin (such matters include, without limitation, increase or reduction of the registered capital of Tianxin, mergers or liquidation of Tianxin and amendment of the articles of association of Tianxin), and (ii) fifty (50%) of the registered capital of Tianxin (such matters include, without limitation, deciding on Tianxin's operation strategy and investment plan, appointment of directors and supervisors and approving Tianxin's annual financial budget and final accounts).

Under the terms of the SPA and the SHA, the Purchasers will not transfer their equity interests in Tianxin within five (5) years from completion of the SPA, without prior consent of the Company, and thereafter the Company will have a right of first refusal in respect of their equity interests, such transfer price being the corresponding net asset value of the equity interests to be transferred (to be determined in accordance with the terms of the SHA).

4. RATIONALE FOR DISPOSAL AND USE OF PROCEEDS

The Disposal is part of the Company's efforts to ensure sustainable growth and stable development of Tianxin as well as pave the way for the Group to participate in local and government projects. By inviting the Purchasers (being key executive management members of Tianxin) to acquire equity in Tianxin, the Company and the Board is of the view that the Purchasers will be encouraged to enhance the competitiveness and sustained performance of Tianxin and strive to greater achievements.

As the Consideration is based on the net asset value and book value of the Sale Equity as at 31 December 2020, the Disposal does not result in any net gain or loss on disposal to the Company and accordingly, there is no excess or deficit over the book value of the Sale Equity as at 31 December 2020.

The Company intends to utilise the Disposal proceeds for general working capital requirement of the Group.

5. FINANCIAL EFFECTS OF THE DISPOSAL

5.1 Bases and assumptions

The financial effects of the Disposal on the net tangible assets ("**NTA**") per share and the earnings per Share ("**EPS**") of the Group are set out below. The financial effects for the Disposal have been prepared based on the audited consolidated financial statements of the Group and Tianxin for the financial year ended 30 June 2020 ("**FY2020**") and are purely for illustrative purposes only and should not be taken as an indication of the actual financial position of the Group nor a projection of the future financial performance or position of the Group after the completion of the Disposal.

The financial effects have also been prepared based on the following assumptions:

(a) the Disposal had been effected on (i) 30 June 2020 for illustrating the financial effects on the NTA below; and (ii) 1 July 2019 for illustrating the financial effects on the EPS below;

(b) estimated expenses for the Disposal are not material and have not been included in the financial effects; 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 1,070,937 treasury shares) as at 30 June 2020 and the EPS of the Group is computed based on the weighted average number of 254,885,375 Shares in issue for FY2020.

For the avoidance of doubt, Shareholders should note that nothing in this announcement may be treated as a representation by the Company as to the trading price of the Shares prior to completion of the Disposal or for any other period of time.

5.2 NTA

	Before the Disposal	After the Disposal
NTA attributable to Shareholders (S$ '000) (1)	212,725	211,296
NTA per Share attributable to Shareholders (cents)	83.2	82.6

Note

(1) The above computation of the NTA attributable to Shareholders before and after the Disposal does not take into account the interim dividends declared by Tianxin of approximately RMB40 million after FY2020 on 28 December 2020. For illustration purposes only, assuming that such dividends were declared on 30 June 2020, the adjusted NTA attributable to Shareholders before and after the Disposal would be approximately S$212,725,000 and the adjusted NTA per Share would have been 83.2 cents.

5.3 EPS

	Before the Disposal	After the Disposal
Net profit / (loss) attributable to Shareholders (S$ '000)(1)	(11,774)	(12,390)
EPS / (Loss per Share) (cents)	(4.6)	(4.9)

Note

(1) The net (loss) attributable to Shareholders before and after the Disposal is adjusted on the assumption that the Company's acquisition of 40% equity interests in Tianxin from 中石化南京工程有限公司 (Sinopec Nanjing Engineering Co. Ltd) and 中石化洛阳工程有限公司 (Sinopec Luoyang Engineering Co. Ltd) completed on 1 July 2019 and the Company accordingly held 100% equity interest in Tianxin on 1 July 2019. Please refer to the Company's announcement dated 16 June 2020 for further details on the acquisition.

6. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

Based on (i) the unaudited consolidated financial statements of the Group for 1H2021, and (ii) the unaudited financial statements of Tianxin for 1H2021, the relative figures of the Disposal computed on the bases set out in Rule 1006 of the Listing Manual of the SGX-ST (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. This basis is not applicable to an acquisition of assets.	0.72%
(b)	The net profits attributable to the assets acquired or disposed of, compared with the group's net profits.	8.58%
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares(3).	1.34%

Rule 1006	Bases	Relative Figure
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable to the Disposal.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable to the Disposal.

Notes:

(1) "Net profits" means profit or loss before income tax and non-controlling interests. The net profits attributable to the Disposal is S$576,553, being 25.0% of S$2,306,213 based on the unaudited financial statements of Tianxin for 1H2021.

(2) Based on the Group's unaudited 1H2021 results released on 10 February 2021.

(3) Based on the Consideration of RMB 7,500,000 (equivalent to S$1,548,019) and the Company's market capitalisation of S$115,862,941 (determined by multiplying 254,643,826 Shares being the total number of Shares in issue excluding treasury Shares) by the volume weighted average price of S$0.4550 per Share transacted on 5 May 2021, being the last full market day preceding the date of execution of the SPA.

Based on the above figures, the Disposal 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

None of the Directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the above transactions, other than through their respective directorships and/or shareholdings in the Company.

8. DIRECTORS' SERVICE CONTRACTS

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

By Order of the Board

Abdul Jabbar Bin Karam Din
Company Secretary
7 May 2021