



PROPOSED DIVERSIFICATION INTO EDUCATION SECTOR

1. INTRODUCTION

The Board of Directors (“**Board**”) of Chip Eng Seng Corporation Ltd. (“**Company**”) is pleased to announce that the Company proposes to diversify its business into the Education Sector (as defined below) (“**Proposed Diversification**”).

2. PROPOSED DIVERSIFICATION

2.1 Existing Business. As at the date hereof, the Company, together with its subsidiaries (“**Group**”), organises its business units into reportable segments based on its products and services as follows (together, the “**Existing Business**”): (a) the construction segment, which is the business of general building contractors, (b) the property developments segment, which is the business of acquiring properties for development and management of development projects, (c) the property investments segment, which is the business of leasing and management of investment properties, (d) the hospitality segment, which is the business of hotel operations and (e) the corporate segment, which conducts the Group’s corporate services, treasury functions and investments in marketable securities.

2.2 Proposed Diversification. The Group seeks to diversify the business of the Group into the education sector, which comprises the construction, development, establishment, ownership, management and operations of educational programmes, products and services, including childcare centres, nurseries, pre-schools, kindergartens, primary, secondary, elementary, middle and high schools, Kindergarten to Grade 12 main schools, junior colleges, pre-university courses, tertiary foundation programmes, universities, degree transfer programmes, enrichment centres and programmes, vocational courses, preparatory courses, higher-level learning programmes, certification programmes and corporate training and other training and skills upgrading courses, relating in each case to academics, music, the arts, religion and sports, and the licensing and franchising, as licensee, franchisee, licensor or franchisor, of intellectual property with respect to trade marks, pedagogy and curricula for the provision of such educational programmes, products and services (together, the “**Education Sector**”).

The Group intends to initially focus on the growth and expansion of the proposed business of the Education Sector (“**Proposed New Business**”) in the Asia Pacific region, but will consider its strategic options and business opportunities from time to time and may, if the opportunity so arises, expand the Proposed New Business in the broader region and worldwide.

The Proposed New Business will be reportable as a new segment of the Group’s business – the education segment. The education segment will cover all business of the Group which arises from or is in connection with the Education Sector.

Concurrently, the Group will continue to seek the growth of the Existing Business, which will remain as a core business of the Group. As described further below in **Paragraph 2.3**, the Proposed Diversification is a means for the Group to explore and achieve additional revenue streams through a diversified sector which complements its Existing Business, with the aim of strengthening the financial position of the Group as a whole through the combined strength of both the Existing Business and the Proposed New Business.

2.3 Rationale for Proposed Diversification

Proposed Diversification will provide a diversified business and income base, thereby reducing reliance on the Existing Business. In light of the Group's successful growth of its Existing Business, the Company recognises that this is an opportune time to ride on its track record and established brand name and consider its strategic options to strengthen its financial position by diversifying its business and creating new profitable revenue streams. Given the uncertainties prevailing in the current global economic outlook, the Company believes that, while it is in a strong financial position, it is prudent to explore new industries to enter into and to take active steps to reduce reliance on any one particular segment in the market.

Proposed New Business will provide additional and recurrent revenue streams and have potential to achieve long-term growth for the Group. The Board has identified the Proposed New Business as a business activity that will provide the Group with sustainable and long-term prospects of profitability and growth. The Board recognises that the construction, property and hospitality businesses are cyclical and are vulnerable to changing economic conditions. The education sector, on the other hand, will be more resilient as it remains relevant and necessary as a societal and aspirational need regardless of market conditions, in both emerging and developed markets.

Further, there is flexibility within the education sector to cater to different market segments, and the Group would be able to explore options to develop a range of services, catering to the high, mid and affordable segments.

Proposed New Business complements the Existing Business. The Proposed New Business is complementary to the Existing Business. The establishment of reputable schools in and around properties owned or developed by the Group is likely to result in the increase in prices of such properties. The Group would also be able to harness its construction capabilities to build safe and good quality education facilities.

Proposed New Business will provide growth through a non-capital intensive market. The education sector, unlike the construction and property sector, is not capital intensive. The diversification of the Group's business into a non-capital intensive market would allow the Group to have access to alternative revenue streams without requiring a heavy investment in capital. On an ongoing basis, the Group would be able to grow both its Existing Business and the Proposed New Business, with existing and new capital being channelled primarily to the growth of the Existing Business.

2.4 Management of Proposed New Business

Executive Director. Mr. Tan Tee How, who was appointed as Executive Director of the Company with effect from 2 February 2018, will have primary oversight of the Proposed New Business. He will provide the strategic vision and policy on the Proposed New Business, and together with the Board, manage the Proposed New Business. His *curriculum vitae* was announced on the SGXNET on 01 February 2018.

Mr. Tan Tee How has been active in both the formal and informal education sectors for a number of years. He has served as board member of St Joseph's Institution International and St Joseph's Institution International Elementary since May 2006 and February 2013 respectively. He had played an instrumental role in the setting up of these two international schools. He is also Board Member of the Christian Brothers' Schools in Singapore and Council Chairman of St Anthony's Primary School (both since January 2018). He also served previously as Deputy Chairman of St Joseph's Institution and Member of the Catholic Junior College Management Committee. He is also President of the Singapore Scout Association (since June 2010) and a Non-Resident fellow of Kent Ridge Hall, National University of Singapore (since January 2004).

3. LISTING MANUAL REQUIREMENTS

Chapter 10 of the listing manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regulates transactions which are not in the ordinary course of business of a company and which are material, as determined based on certain relative figures computed with respect to the transaction and the company, including net asset value, net profits, the aggregate value of the consideration vis-à-vis market capitalisation of the company and equity securities. Specifically, a material transaction which is not in the ordinary course of business of a company is required to be approved by shareholders of a company. In addition, a material transaction which is in the ordinary course of business of a company and which changes the risk profile of the company is, notwithstanding that it is in the ordinary course of business of such company, required to be approved by shareholders of a company.

As the Proposed Diversification involves a new business area which is materially different from the Existing Business, it is envisaged that the Proposed Diversification will change the existing risk profile of the Group materially. Accordingly, an Extraordinary General Meeting ("**EGM**") of shareholders of the Company ("**Shareholders**") will be convened by the Company to seek Shareholders' approval to approve the Proposed Diversification.

The circular containing further details of the Proposed Diversification, together with a notice of EGM in connection therewith, will be despatched to Shareholders in due course.

Submitted by Hoon Tai Meng, Executive Director, on 5 March 2018 to the SGX.