



**CHIP ENG SENG CORPORATION LTD**  
Co. Reg. No. 199805196H

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## ENTRY INTO A JOINT VENTURE FOR THE ACQUISITION OF A LAGOON IN THE MALDIVES

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### 1. INTRODUCTION

The Board of Directors of Chip Eng Seng Corporation Ltd (the "**Company**") is pleased to announce that the Company's wholly-owned subsidiary, CES Hotels (Maldives) Pte. Ltd. ("**CES Hotels**") has today entered into a 70-30 joint venture (the "**Joint Venture**") for the purposes of acquiring the remaining leasehold interest in a lagoon in the Maldives (the "**Lagoon**").

It is intended that the Lagoon, which is located in North Male Atoll, will be developed into a five-star resort. This will be the Company's second hospitality venture in the Maldives.

CES Hotels was incorporated on 9 October 2019 with an issued and paid-up share capital of S\$2.00.

### 2. INFORMATION ON THE JOINT VENTURE

The joint venture partner of CES Hotels is Tropical Developments Pte. Ltd. ("**TDPL**"), a company incorporated in Singapore. TDPL is an affiliate of the current lessee of the Lagoon (the "**Current Lessee**") and is also an affiliate of AMIN Construction Pvt Ltd ("**Amin Construction**"), an established homegrown construction company in the Maldives. The obligations of TDPL under the joint venture agreement (the "**JVA**") will be jointly and severally guaranteed by Amin Construction and certain individuals who are TDPL's ultimate shareholders.

CES Tropical (Maldives) Pte. Ltd. (the "**SG JVCo**") was incorporated in Singapore on 9 October 2019 as the joint venture company. As at the date of this announcement, SG JVCo has an issued and paid-up capital of US\$10.00 divided into 10 ordinary shares which are subscribed by CES Hotels and TDPL as follows:

Name	Issue Price Per Share (US\$)	Number of Shares	Shareholding Percentage (%)
CES Hotels	US\$1.00	7	70
TDPL	US\$1.00	3	30
<b>Total</b>	-	10	100

Under the terms of the JVA, SG JVCo will incorporate a wholly-owned subsidiary in the Maldives (the "**Maldives JVCo**"), which entity will acquire the remaining leasehold interest in the Lagoon from the Current Lessee. Both SG JVCo and Maldives JVCo will be subsidiaries of the Company.

The key terms of the JVA include the following:

- (i) CES Hotels and TDPL commit to fund an initial amount of US\$10 million (the "**Initial Capital Commitment**") in proportion to their respective shareholding percentage;
- (ii) the Initial Capital Commitment will be used to fund, amongst other things, the acquisition of the remaining leasehold interest in the Lagoon, the fee for the transfer of such leasehold

interest, and the fees and rental to be paid to the applicable government agencies in the Maldives in connection with the development of the resort;

- (iii) the consideration for the acquisition of the leasehold interest in the Lagoon shall not exceed the cost at which the Current Lessee acquired such interest from an unrelated third party; and
- (iv) the Joint Venture shall terminate if the leasehold interest in the Lagoon is not transferred to Maldives JVCo by 31 December 2019.

### **3. RATIONALE FOR THE JOINT VENTURE**

The Company has been keen on extending its footprint in the hospitality sector in the Maldives and has been on the lookout for a viable opportunity to own and develop its second resort. The Company is of the view that the Lagoon, which has a tenure of 50 years commencing from 9 August 2016, presents such opportunity. The Company will release a further announcement with more details on the Lagoon upon the entry into the sale and purchase agreement with the Current Lessee.

Amin Construction was the main developer and contractor for the Company's first hospitality project in the Maldives. Amin Construction is an established construction firm in the Maldives and has substantial experience in the development and construction of major projects in the Maldives, including the development and construction of resorts. As the Company has maintained a good working relationship with Amin Construction, the Company is of the view that a joint venture with Amin Construction (through TDPL) would be a complementary one given Amin Construction's established presence in the Maldives as well as the Company's experience with ownership of hotels and management of development projects. Moreover, under the terms of the JVA, Maldives JVCo will not acquire the leasehold interest in the Lagoon at a price exceeding that which the Current Lessee had paid for.

### **4. FINANCIAL IMPACT**

CES Hotels' contribution of US\$7.0 million to the Initial Capital Contribution will be funded by internal resources.

The entry into the Joint Venture is not expected to have a significant impact on the net tangible assets and earnings per share of the Company for the current financial year ending 31 December 2019.

### **5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors and, to the best knowledge of the Directors, none of the substantial shareholders or controlling shareholders of the Company, has any direct or indirect interest in the Joint Venture.

Submitted by Chia Lee Meng Raymond, Executive Director and Group Chief Executive Officer, on 14 October 2019 to the SGX-ST.