

APPENDIX DATED 8 APRIL 2021

This Appendix is issued to the Shareholders of Chip Eng Seng Corporation Ltd. (the "**Company**") together with the Notice of AGM (as defined herein).

Its purpose is to explain to Shareholders the rationale and provide information for the proposed renewal of the share purchase mandate, to be tabled at the Annual General Meeting of the Company to be held on 23 April 2021 at 10.00 a.m. (the "**AGM**") by way of electronic means (as defined herein).

This Appendix, the Notice of AGM and the Proxy Form (as defined herein) are available for download or online viewing from the Company's corporate website (www.chipengseng.com.sg) ("**CES Corporate Website**"). Please access <https://www.chipengseng.com.sg/investor-relations/announcements/> and click on the relevant document uploaded with the Company's announcement released on 8 April 2021 relating to the AGM (*Announcement relating to Annual General Meeting to be held on 23 April 2021*) (the "**AGM Announcement**"). This Appendix, the AGM Announcement, the Notice of AGM and the Proxy Form are also available on the website of the Singapore Exchange Securities Trading Limited at www.sgx.com ("**SGXNET**"). A printed copy of this Appendix will **not** be despatched to Shareholders, unless pursuant to a submitted request. For further information, please refer to the AGM Announcement.

Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, as amended from time to time, the AGM will be held by way of electronic means. In view of the current COVID-19 restriction orders in Singapore and the related safe distancing measures, Shareholders will not be able to attend the AGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate in the AGM by (a) observing and/or listening to the AGM proceedings by "live" audio-visual webcast or by "live" audio-only stream, (b) submitting questions in advance of the AGM, and/or (c) voting by proxy at the AGM. For further information, please refer to the Notice of AGM and the AGM Announcement (which have been uploaded on the CES Corporate Website and SGXNET together with this Appendix), including the steps to be taken by Shareholders to participate at the AGM.

If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

The Singapore Exchange Securities Trading Limited assumes no responsibility for the accuracy of any of the statements made, reports contained, or opinions expressed in this Appendix.



CHIP ENG SENG CORPORATION LTD.

(Incorporated in the Republic of Singapore)
(Company Registration Number: 199805196H)

APPENDIX IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

LETTER TO SHAREHOLDERS

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

"2020 AGM"	Has the meaning ascribed to it in Paragraph 2.1
"2020 Share Purchase Mandate"	Has the meaning ascribed to it in Paragraph 2.1
"ACRA"	Accounting & Corporate Regulatory Authority
"AGM"	The Annual General Meeting of the Company to be held on 23 April 2021 at 10.00 a.m.
"AGM Announcement"	The Company's announcement released on 8 April 2021 relating to the AGM (<i>Announcement relating to Annual General Meeting to be held on 23 April 2021</i>)
"Alternative Arrangements Order"	The COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, as amended from time to time
"Annual Report"	Annual Report of the Company
"Approval Date"	Has the meaning ascribed to it in Paragraph 2.4.1
"Board"	The board of the directors of the Company for the time being
"CDP"	The Central Depository (Pte) Limited
"Celine Tang"	Chen Huaidan @ Celine Tang, the Non-Executive Chairman and a Non-Independent and Non-Executive Director of the Company
"CES Corporate Website"	The Company's corporate website at www.chipengseng.com.sg
"Company"	Chip Eng Seng Corporation Ltd.
"Companies Act"	The Companies Act, Chapter 50 of Singapore
"Concert Parties"	The persons identified in Paragraph 2.9.2
"Concert Parties Group"	The Concert Parties and parties acting or deemed to be acting in concert with them in respect of the Shares
"Concert Parties' Voting Rights"	Has the meaning ascribed to it in Paragraph 2.9.3
"Constitution"	The Constitution of the Company, as amended from time to time
"control"	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of a company
"controlling shareholder"	A person who holds directly or indirectly fifteen per cent. (15%) or more of the total voting rights in a company (excluding treasury shares) or a person who in fact exercises control over a company
"Director"	A director of the Company for the time being
"FY2020"	The financial year ended 31 December 2020
"Gordon Tang"	Tang Yigang @ Gordon Tang
"Group"	The Company and its subsidiaries (as defined in Section 5 of the Companies Act)
"Latest Practicable Date"	The latest practicable date prior to the date of this Appendix, being 17 March 2021
"Listing Manual"	The listing manual of the SGX-ST, as amended, modified, or supplemented from time to time
"Market Day"	A day on which the SGX-ST is open for trading in securities

LETTER TO SHAREHOLDERS

"Market Purchase"	A market purchase transacted on the SGX-ST's trading system, through one or more duly licensed dealers appointed by the Company for the purpose
"Maximum Price"	Has the meaning ascribed to it in Paragraph 2.4.4
"NAV"	Net asset value
"Notice of AGM"	The notice of the AGM dated 8 April 2021
"Off-Market Purchase"	An off-market purchase under an equal access scheme (as defined in Section 76C of the Companies Act) for the purchase or acquisition of Shares from Shareholders
"Proposal"	Has the meaning ascribed to it in Paragraph 1.1
"Proxy Form"	The proxy form in respect of the AGM
"Rule 14"	Has the meaning ascribed to it in Paragraph 2.8.1
"SFA"	The Securities and Futures Act, Chapter 289 of Singapore
"SGX-ST"	Singapore Exchange Securities Trading Limited
"SGXNET"	The website of the SGX-ST at www.sgx.com
"Shareholders"	Registered holders of Shares except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors to whose securities accounts maintained with CDP are credited with the Shares
"Shares"	Ordinary shares in the capital of the Company
"Share Purchase Mandate"	The proposed mandate to enable the Company to purchase or otherwise acquire its Shares, the terms of which are set out in Paragraph 2
"SIC"	Securities Industry Council
"Singapore"	Republic of Singapore
"Take-over Code"	The Singapore Code on Take-overs and Mergers
"S\$" and "cents"	Singapore dollars and cents, respectively
"%" or "per cent."	Percentage or per centum

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81SF of the SFA.

The term "electronic means" shall have the meaning ascribed to it in the Alternative Arrangements Order.

The term "subsidiary holdings" shall have the meaning ascribed to it in the Listing Manual.

The term "treasury shares" shall have the meaning ascribed to it in Section 4 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine gender shall, where applicable, include the feminine and neuter genders. Words importing persons include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act and used in this Appendix shall have the meaning assigned to it under the Companies Act.

Any reference in this Appendix to a time of day shall be a reference to Singapore time, unless otherwise stated.

LETTER TO SHAREHOLDERS

Board of Directors

Celine Tang	<i>Non-Executive Chairman and Non-Independent and Non-Executive Director</i>
Chia Lee Meng Raymond	<i>Executive Director and Group Chief Executive Officer</i>
Tan Tee How	<i>Executive Director</i>
Yam Ah Mee	<i>Non-Executive and Non-Independent Director</i>
Ang Mong Seng	<i>Lead Independent Director</i>
Abdul Jabbar Bin Karam Din	<i>Independent Director</i>
Lock Wai Han	<i>Independent Director</i>
Low Teck Seng	<i>Independent Director</i>
Neo Boon Siong	<i>Independent Director</i>
Yaacob Bin Ibrahim	<i>Independent Director</i>

Registered Office

171 Chin Swee Road, #12-01, CES
Centre, Singapore 169877

8 April 2021

To: The Shareholders of Chip Eng Seng Corporation Ltd.

Dear Shareholders,

1. INTRODUCTION

- 1.1.** The Directors wish to seek Shareholders' approval for the Share Purchase Mandate at the AGM to be held by way of electronic means (the "**Proposal**").
- 1.2.** The purpose of this Appendix, issued to Shareholders together with the Notice of AGM, is to provide Shareholders with relevant information pertaining to the Proposal.

2. THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF THE COMPANY

2.1. Background and Shareholders' Approval

The Shareholders had approved the renewal of the mandate to enable the Company to purchase or otherwise acquire its issued Shares (the "**2020 Share Purchase Mandate**") at the annual general meeting of the Company held on 29 May 2020 (the "**2020 AGM**"). The rationale for, the authority and limitations on, and the financial effects of, the 2020 Share Purchase Mandate were set out in the Annex A to the Annual Report for the financial year ended 31 December 2019 and Resolution 12 set out in the notice of the 2020 AGM dated 6 May 2020.

The 2020 Share Purchase Mandate will expire on the date of the AGM, being 23 April 2021, and accordingly, the Directors propose that the 2020 Share Purchase Mandate be renewed at the AGM.

2.2 Shares Purchased by the Company in the Previous Twelve Months

In the previous twelve (12) months, the Company bought back an aggregate of 92,800 Shares by way of Market Purchase. Such Shares were acquired on 23 April 2020, pursuant to the share purchase mandate approved by the Shareholders at the annual general meeting of the Company held on 24 April 2019. The price paid for the purchase was S\$0.50 per Share. The total consideration paid for the purchase was S\$46,479.44 (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses). As at the Latest Practicable Date, the 92,800 Shares purchased by the Company are held as treasury shares.

For the avoidance of doubt, the Company has not bought back any Shares by way of Market Purchases or Off-Market Purchases pursuant to the 2020 Share Purchase Mandate.

LETTER TO SHAREHOLDERS

2.3 Rationale

The Share Purchase Mandate will give the Directors the flexibility to purchase or acquire Shares if and when circumstances permit. Purchases or acquisitions of Shares provide the Company and the Directors with an easy mechanism to facilitate the return of surplus cash over and above the Company's ordinary capital requirements in an expedient and cost-efficient manner. The purchase or acquisition of Shares may, depending on market conditions and funding arrangements, lead to an enhancement of the earnings per Share and/or NAV per Share.

Purchases or acquisitions of Shares also allow the Directors to exercise control over the Company's share capital structure with a view to enhance the earnings per Share and/or NAV per Share. The Share Purchase Mandate will further give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued and help to buffer short-term share price volatility and offset the effects of share price speculation, thereby boosting Shareholders' confidence and employees' morale.

If and when circumstances permit, the Directors will decide whether to effect purchases or acquisitions of Shares via Market Purchases or Off-Market Purchases, after taking into account the amount of surplus cash available, the then prevailing market conditions and the most cost effective and efficient approach.

The Directors will only make purchases or acquisitions of Shares pursuant to the Share Purchase Mandate when they consider it to be in the best interests of the Company and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST.

2.4 Authority and Limits on the Share Purchase Mandate

The authority and limits under the Share Purchase Mandate, if approved at the AGM, will be similar in terms to those previously approved by Shareholders and for the benefit of Shareholders, are summarised below:

2.4.1 Maximum Number of Shares

Only Shares which are issued and fully paid up may be purchased or acquired by the Company. The total number of Shares that may be purchased or acquired under the Share Purchase Mandate will not exceed ten per cent. (10%) of the total number of issued Shares as at the date of the AGM at which the Share Purchase Mandate is approved (the "**Approval Date**"), unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act at any time during the time period set out in Paragraph 2.4.2 below, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered. Any of the Shares which are held as treasury shares or subsidiary holdings, will be disregarded for purposes of computing the ten per cent. (10%) limit.

As at the Latest Practicable Date, the issued ordinary share capital of the Company (excluding Shares which are held as treasury shares by the Company) comprised 783,424,776 Shares. For illustration purposes only, on the basis of 783,424,776 Shares in issue as at the Latest Practicable Date, not more than 78,342,477 Shares (representing ten per cent. (10%) of the Shares in issue as at that date) may be purchased by the Company pursuant to the Share Purchase Mandate. As at the Latest Practicable Date, the Company is holding 40,593,900 Shares as treasury shares and there are no subsidiary holdings.

LETTER TO SHAREHOLDERS

2.4.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to:

- (i) the date on which the next annual general meeting of the Company is held or required by law to be held;
- (ii) the date on which the purchases of Shares are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by Shareholders in a general meeting,

whichever is the earliest.

2.4.3 Manner of Share Purchase

- (i) Purchases or acquisitions of Shares may be made by way of a Market Purchase or an Off-Market Purchase.
- (ii) The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. However, an equal access scheme must satisfy all of the following conditions:
 - (a) offers under the scheme must be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
 - (b) all of those persons must have a reasonable opportunity to accept the offers made to them; and
 - (c) the terms of all the offers must be the same except that there shall be disregarded (1) differences in consideration attributable to the fact that the offers relate to Shares with different accrued dividend entitlements, (2) (if applicable) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid, and (3) differences in the offers introduced solely to ensure that each Shareholder is left with a whole number of Shares.
- (iii) If the Company wishes to make an Off-Market Purchase, the Company will issue an offer document to all Shareholders which shall contain at least the following information:
 - (a) the terms and conditions of the offer;
 - (b) the period and procedures for acceptances;
 - (c) the reasons for the proposed purchase of Shares;
 - (d) the consequences, if any, of the purchases of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;
 - (e) whether the purchase of Shares, if made, will have any effect on the listing of the Shares on the SGX-ST;
 - (f) details of any purchases of Shares made by the Company in the previous twelve (12) months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases, where relevant, and the total consideration paid for the purchases; and
 - (g) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

LETTER TO SHAREHOLDERS

2.4.4 Maximum Purchase Price

The purchase price per Share (excluding brokerage, commission, applicable goods and services tax and other related expenses) to be paid for Shares purchased or acquired pursuant to the Share Purchase Mandate will be determined by the Directors.

However, the purchase price to be paid for the Shares purchased or acquired pursuant to the Share Purchase Mandate must not exceed:

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined below) of the Shares; and
- (ii) in the case of an Off-Market Purchase, one hundred and twenty per cent. (120%) of the Average Closing Price,

(the "**Maximum Price**") in either case, excluding related expenses of the purchase. For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of the Shares over the last five (5) consecutive Market Days, on which transactions in the Shares were recorded, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs during the relevant five (5) day period and the day on which the Market Purchase or, as the case may be, the Off-Market Purchase is made; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of the Shares to holders of Shares, stating the purchase price (which shall not be more than the Maximum Price determined on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4.5 Status of Purchased Shares

Under the Companies Act, a company which acquires its own shares may choose to hold such shares as treasury shares or to cancel them. Accordingly, the Company has the discretion to hold the purchased Shares as treasury shares or to cancel them.

2.4.6 Cancellation of Shares

Where Shares purchased or acquired by the Company are cancelled, the total number of Shares will be diminished by such number of Shares purchased or acquired.

Any Shares purchased or acquired by the Company and cancelled will be automatically delisted by the SGX-ST. Certificates in respect of purchased or acquired Shares that are cancelled by the Company will be cancelled by the Company as soon as reasonably practicable following settlement of any purchase or acquisition of such Shares.

2.4.7 Treasury Shares

As explained in Paragraph 2.4.5 above, under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Where the Company holds the purchased Shares as treasury shares, the Company may deal with such treasury shares in such manner as may be permitted by and in accordance with the Companies Act. Some of the provisions on treasury shares under the Companies Act are summarised below.

(i) Maximum Holdings

The aggregate number of Shares held as treasury shares cannot at any time exceed ten per cent. (10%) of the total number of Shares at that time.

(ii) Voting and Other Rights

The Company cannot exercise any right in respect of the treasury shares, i.e. the Company will have no right to vote at or attend meetings and the treasury shares will be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. A subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is also allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

LETTER TO SHAREHOLDERS

(iii) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares (or any of them) for cash;
- (b) transfer the treasury shares (or any of them) for the purposes of or pursuant to any share scheme, whether for its employees, directors or other persons;
- (c) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares (or any of them); or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Where the Company cancels or disposes the treasury shares in accordance with this Paragraph 2.4.7(iii), the Company shall lodge with the ACRA a prescribed notice of the cancellation or disposal of treasury shares together with the prescribed fee within thirty (30) days after the cancellation or disposal of treasury shares.

Under the Listing Manual, an immediate announcement must be made in respect of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "usage"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares comprised in the usage against the total number of shares outstanding in a class that is listed before and after the usage and the value of the treasury shares in relation to the usage.

2.4.8 Reporting Requirements

- (i) Within thirty (30) days after the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the ACRA.
- (ii) The Company shall notify the ACRA within thirty (30) days after a purchase of Shares on the SGX-ST or otherwise. Such notification shall include details of the date of the purchase or acquisition, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before the purchase or acquisition, the Company's issued share capital after the purchase or acquisition, the amount of consideration paid by the Company for the purchase or acquisition, whether Shares were purchased or acquired out of the profits or the capital of the Company, and such other particulars as may be required in the prescribed form.
- (iii) The Listing Manual specifies that a listed company shall report all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m. (a) in the case of a Market Purchase, on the Market Day following the date of purchase or acquisition of any of its shares; and (b) in the case of an Off-Market Purchase, on the second Market Day after the close of acceptances of the offer. The notification of such purchases or acquisitions to the SGX-ST shall be in such form and shall include such details as may be prescribed by the SGX-ST in the Listing Manual. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion with the necessary information which will enable the Company to make the notifications to the SGX-ST.
- (iv) For an Off-Market Purchase, the Listing Manual requires that the listed company issues an offer document to all shareholders containing the information as set out in Paragraph 2.4.3(iii) above.

LETTER TO SHAREHOLDERS

2.4.9 Sources of Funds

In purchasing or acquiring Shares, the Company shall only apply funds legally available in accordance with its Constitution and any other applicable laws in Singapore. Furthermore, the Company may not purchase or acquire its Shares on the SGX-ST for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Any purchases or acquisitions of Shares may be made only if the Company is solvent and out of the Company's capital or profits. It is an offence for a Director or manager of the Company to approve or authorise the purchase or acquisition of Shares, knowing that the Company is not solvent. For this purpose, pursuant to the Companies Act, a company is solvent if at the date of the payment made by the company in consideration of acquiring any right with respect to the purchase or acquisition of its own shares:

- (i) there is no ground on which the company could be found to be unable to pay its debts;
- (ii) the company will be able to pay its debts as they fall due during the period of twelve (12) months immediately after the date of the payment; and
- (iii) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

The Company will use internal resources or external borrowings or a combination of both to fund purchases of Shares pursuant to the Share Purchase Mandate. However, in considering the option of external financing, the Directors will consider particularly the prevailing gearing level of the Group. The Directors will only make purchases or acquisitions pursuant to the Share Purchase Mandate in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group.

2.5 Financial Impact

2.5.1 Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits.

2.5.2 Where the purchased Shares are cancelled, a reduction by the total amount of the purchase price paid by the Company for the Shares cancelled will be made to:

- (i) the share capital of the Company where the Shares were purchased out of the capital of the Company;
- (ii) the profits of the Company where the Shares were purchased out of the profits of the Company; or
- (iii) the share capital and profits of the Company proportionately where the Shares were purchased out of both the capital and profits of the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced.

For the purposes of this Paragraph 2.5.2, the total amount of the purchase price shall include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of the Shares which is paid out of the Company's capital or profits.

LETTER TO SHAREHOLDERS

- 2.5.3 The amount of funding required for the Company to purchase or acquire its Shares and the financial impact on the Company and the Group arising from purchases of Shares which may be made pursuant to the Share Purchase Mandate will depend, *inter alia*, on the aggregate number of Shares purchased or acquired and the consideration paid at the relevant time.
- 2.5.4 The impact of purchases or acquisitions under the Share Purchase Mandate on NAV, earnings per Share and gearing of the Company and the Group will depend, *inter alia*, on the number of Shares purchased or acquired, the price at which they are purchased or acquired and the manner in which the purchase or acquisition is funded. It is therefore not possible to accurately calculate or quantify the impact at this point of time.
- 2.5.5 Based on the existing number of Shares as at the Latest Practicable Date, the proposed purchases or acquisitions of Shares by the Company of up to a maximum of ten per cent. (10%) of its Shares under the Share Purchase Mandate will result in the purchase of up to 78,342,477 Shares.
- 2.5.6 In the case of Market Purchases by the Company, based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date and the assumption that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 78,342,477 Shares at the Maximum Price of S\$0.4799 per Share (being the price equivalent to five per cent. (5%) above the average of the closing market prices of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 78,342,477 Shares (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$37,656,996.
- 2.5.7 In the case of Off-Market Purchases by the Company, based on the existing issued and paid-up capital of the Company as at the Latest Practicable Date and the assumption that, pursuant to the Share Purchase Mandate, the Company purchases the maximum number of 78,342,477 Shares at the Maximum Price of S\$0.5484 per Share (being the price equivalent to twenty per cent. (20%) above the average of the closing market prices of the Shares for the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase of 78,342,477 Shares (including brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$43,036,567.

LETTER TO SHAREHOLDERS

2.5.8 On the basis of the assumptions set out above and the following:

- (i) the Share Purchase Mandate had been effective on 31 December 2020 and 78,342,477 Shares (representing ten per cent. (10%) of the Shares in issue as at the Latest Practicable Date) were purchased and cancelled on 31 December 2020; and
- (ii) the purchase of the 78,342,477 Shares was financed solely by internal resources,

an illustration of the financial impact of the purchases or acquisitions of such Shares by the Company pursuant to the Share Purchase Mandate on the Group's and the Company's audited financial statements for FY2020 is set out below:

	<..... Group>			<..... Company>		
	Before Purchase S\$'000	After Market Purchase S\$'000	After Off-Market Purchase S\$'000	Before Purchase S\$'000	After Market Purchase S\$'000	After Off-Market Purchase S\$'000
As at 31 December 2020						
Shareholders' Funds ⁽¹⁾	817,285	779,628	774,248	185,568	147,911	142,531
NAV ⁽²⁾	809,373	771,716	766,336	185,568	147,911	142,531
Current Assets	2,240,160	2,202,503	2,197,123	90,928	90,924	90,924
Current Liabilities	490,467	490,467	490,467	43,639	76,857	82,237
Total Borrowings	1,797,730	1,797,730	1,797,730	38,250	38,250	38,250
Cash and Cash Equivalents ⁽³⁾	374,040	336,383	331,003	4,439	-	-
Number of Shares ('000)	782,925	704,583	704,583	782,925	704,583	704,583
Financial Ratios						
(Loss)/Earnings per Share (cents)	(10.35)	(11.51)	(11.51)	2.40	2.67	2.67
NAV per Share (cents)	103.38	109.53	108.76	23.70	20.99	20.23
Gearing (%) ⁽⁴⁾	174.20	187.44	189.44	18.22	25.86	26.84
Current Ratio (times)	4.57	4.49	4.48	2.08	1.18	1.11

Notes:-

- (1) Equity including non-controlling interest
- (2) Attributable to ordinary shareholders
- (3) Cash and short-term deposits
- (4) Total borrowings less cash and cash equivalent divided by shareholders' funds
- (5) The above financial effects remain the same irrespective of whether the purchases of the Shares are effected out of capital or profits; and the Shares repurchased are held in treasury or cancelled.

Shareholders should note that the financial effects illustrated above are for illustrative purposes only. In particular, it is important to note that the above analysis is based on the latest audited financial statements of the Company and the Group as at 31 December 2020 and are not representative of the Company's or the Group's future financial performance.

Although the Share Purchase Mandate would authorise the Company to buy back up to ten per cent. (10%) of its issued Shares, the Company may not necessarily buy back all ten per cent. (10%) of its issued Shares in full.

In particular, the maximum number of Shares that the Company may purchase under the Companies Act is limited by the solvency requirements set out in the Companies Act, as described in Paragraph 2.4.9 above.

LETTER TO SHAREHOLDERS

2.6 Taxation

Shareholders who are in doubt as to their respective tax positions or tax implications of purchases of Shares by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.7 Listing Status

- 2.7.1 The Company is required under Rule 723 of the Listing Manual to ensure that at least ten per cent. (10%) of its Shares (excluding treasury shares) are in the hands of the public. The "public", as defined under the Listing Manual, are persons other than (a) the directors, chief executive officer, substantial shareholders, or controlling shareholders of the Company or its subsidiaries, and (b) the associates (as defined in the Listing Manual) of such persons named in (a).
- 2.7.2 As at the Latest Practicable Date, there are 471,733,623 Shares in the hands of the public, representing approximately 60.21% of the issued Shares (excluding treasury shares). Assuming that the Company purchases its Shares up to the full ten per cent. (10%) limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 393,391,146 Shares, representing approximately 55.79% of the remaining issued Shares (excluding treasury shares and on the assumption that the purchased Shares are cancelled). As such, the Company will continue to remain in compliance with Rule 723 of the Listing Manual even if the Company purchases its Shares up to the full ten per cent. (10%) limit pursuant to the Share Purchase Mandate.
- 2.7.3 In undertaking any purchases of the Shares, the Directors will use their best efforts to ensure that a sufficient number of Shares remain in public hands so that the purchase(s) of Shares will not:
- (i) affect the listing status of the Shares on the SGX-ST;
 - (ii) cause market illiquidity; or
 - (iii) affect the orderly trading of the Shares.
- 2.7.4 While the Listing Manual does not expressly prohibit any purchase of shares by a listed company during any particular time or times, because a listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after any matter of a price sensitive nature has occurred or has been the subject of a consideration and/or decision of the Board until the price sensitive information has been publicly announced. In addition, in line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares during the period of:
- (i) in so far as the Company does not announce its quarterly financial statements, one (1) month immediately preceding, and including the date of, the announcement of the Company's half-year and full year financial statements; and
 - (ii) in so far as the Company announces its quarterly financial statements (whether required by the SGX-ST or otherwise), two (2) weeks immediately preceding, and including the date of, the announcement of the Company's financial statements for each of the first three quarters of its financial year, and one (1) month immediately preceding, and including the date of, the announcement of the Company's full year financial statements.

LETTER TO SHAREHOLDERS

2.8 Implications under the Take-over Code

- 2.8.1 The resultant increase in the percentage of voting rights held by a Shareholder and persons acting in concert with him, following the purchase of Shares by the Company, will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code ("**Rule 14**"). Consequently, depending on the number of Shares purchased by the Company and the total number of Shares issued by the Company at that time, a Shareholder or group of Shareholders acting in concert with each other could obtain or consolidate control of the Company and could become obliged to make an offer under Rule 14.
- 2.8.2 Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert:
- (i) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the foregoing companies, and any company whose associated companies include any of the foregoing companies;
 - (ii) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
 - (iii) an individual, his close relatives, his related trusts and any person who is accustomed to act in accordance with his instructions, companies controlled by any of foregoing persons, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforesaid for the purchase of voting rights.
- For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status.
- 2.8.3 The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a general offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Rule 14 and Appendix 2 of the Take-over Code.
- 2.8.4 In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a general offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares, the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more, or if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.
- 2.8.5 Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a general offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder would increase to thirty per cent. (30%) or more, or if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate, unless so required under the Companies Act.

Shareholders who are in any doubt as to whether they would incur any obligations to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their professional advisers before they acquire any Shares in the Company during the period when the Share Purchase Mandate is in force.

LETTER TO SHAREHOLDERS

2.9 Directors' and Substantial Shareholders' Interests

2.9.1 As at the Latest Practicable Date, the shareholdings of the Directors and the Company's substantial shareholder (as defined in the Companies Act) in the Company before and after the purchase of Shares (assuming that the purchased Shares are cancelled and not held as treasury shares) pursuant to the Share Purchase Mandate, based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders, are as follows:

	Before Share Purchase (No. of Shares)			Before Share Purchase (%)	After Share Purchase (%)
	Direct Interest	Deemed Interest	Total Interest		
Directors					
Celine Tang ⁽¹⁾	284,454,903	0	284,454,903	36.31	40.34
Chia Lee Meng Raymond ⁽²⁾	14,906,250	12,127,500	27,033,750	3.45	3.83
Tan Tee How ⁽³⁾	0	0	0	0	0
Yam Ah Mee ⁽⁴⁾	20,000	0	20,000	0.003	0.003
Ang Mong Seng	182,500	0	182,500	0.02	0.03
Abdul Jabbar Bin Karam	0	0	0	0	0
Lock Wai Han	0	0	0	0	0
Low Teck Seng	0	0	0	0	0
Neo Boon Siong	0	0	0	0	0
Yaacob Bin Ibrahim	0	0	0	0	0
Options to acquire Shares under the Chip Eng Seng Employee Share Option Scheme					
Chia Lee Meng Raymond ⁽²⁾	45,000,000	0	45,000,000		
Tan Tee How ⁽³⁾	5,000,000	0	5,000,000		
Substantial Shareholder					
Celine Tang ⁽¹⁾	284,454,903	0	284,454,903	36.31	40.34
Gordon Tang ⁽¹⁾	284,454,903	0	284,454,903	36.31	40.34

Notes:-

- (1) Mrs Celine Tang holds 284,454,903 Shares jointly with her spouse, Mr Gordon Tang.
- (2) Mr Chia Lee Meng Raymond's deemed interest includes 12,127,500 Shares held by his spouse, Mdm Lim Sock Joo. Mr Chia Lee Meng Raymond also holds 45,000,000 options under the Chip Eng Seng Employee Share Option Scheme to acquire up to 45,000,000 Shares.
- (3) Mr Tan Tee How holds 5,000,000 options under the Chip Eng Seng Employee Share Option Scheme to acquire up to 5,000,000 Shares.
- (4) Mr Yam Ah Mee holds 20,000 Shares jointly with his spouse.

Shareholders should note the following:-

- (i) the figures in the above table are set out for illustrative purposes only and calculated on the assumption that (a) the maximum amount of ten per cent. (10%) of the Shares purchased under the Share Purchase Mandate will be cancelled and not held as treasury shares and subsidiary holdings (if any) are excluded; and (b) there is no change in the number of Shares held or deemed to be held by the Directors; and
- (ii) if all the purchased Shares are held as treasury shares and not cancelled, there will be no changes in the interests of the Directors and the substantial shareholder of the Company before and after such purchase.

LETTER TO SHAREHOLDERS

- 2.9.2 For the purposes of the Take-over Code, the following persons are presumed to be acting in concert:
- (i) Mrs Celine Tang, a non-independent and non-executive director and non-executive Chairman of the Company;
 - (ii) Mr Gordon Tang, the spouse of the non-independent and non-executive director and non-executive Chairman of the Company; and
 - (iii) Senz Holdings Limited, a shareholder of the Company and a corporation in which Mrs Celine Tang is a director of,
- (collectively, the "**Concert Parties**").

- 2.9.3 As at the Latest Practicable Date, the combined shareholding of the Concert Parties amounts to approximately 39.53% of the total issued ordinary share capital of the Company (excluding treasury shares and subsidiary holdings (if any)) (the "**Concert Parties' Voting Rights**").

In the event that the Company purchases the maximum number of 78,342,477 Shares under the Share Purchase Mandate, the Concert Parties' Voting Rights could potentially increase from approximately 39.53% to approximately 43.92% of the total voting rights of the Company. In such event, if the Concert Parties are considered to be acting in concert for the purposes of the Take-over Code, the Concert Parties Group will, unless exempted, be obliged to make a mandatory offer for the Company under Rule 14.

- 2.9.4 Pursuant to Section 3(a) of Appendix 2 of the Take-over Code, the Concert Parties Group will be exempted from the requirement to make a general offer for the Company under Rule 14.1 of the Take-over Code subject to the following conditions being fulfilled:

- (i) the appendix on the resolution to approve the Share Purchase Mandate contains advice to the effect that by voting to approve the Share Purchase Mandate, Shareholders are waiving their rights to a general offer at the required price from the Concert Parties Group who, as a result of the purchase of Shares pursuant to the Share Purchase Mandate, would increase their aggregate percentage of total voting rights in the Company by more than one per cent. (1%) in any period of six (6) months; and the names of the members of the Concert Parties Group, and their voting rights at the time of the resolution and after the proposed purchase of the Shares pursuant to the Share Purchase Mandate are disclosed in the same appendix;
- (ii) the resolution to approve the Share Purchase Mandate is approved by a majority of those Shareholders present and voting at the meeting on a poll who could not become obliged to make an offer as a result of the purchase of Shares pursuant to the Share Purchase Mandate;
- (iii) the Concert Parties Group abstain from voting for and/or recommending the Shareholders to vote in favour of the resolution to approve the Share Purchase Mandate;
- (iv) within seven (7) days after the passing of the resolution to approve the Share Purchase Mandate, Mrs Celine Tang submits to the SIC a duly signed form as prescribed by the SIC; and
- (v) the Concert Parties Group not to have acquired and not to acquire any Shares between the date on which they know that the announcement of the renewal of the 2020 Share Purchase Mandate is imminent and the earlier of:
 - (a) the date on which authority of the renewed Share Purchase Mandate expires; and
 - (b) the date on which the Company announces it has bought back such number of Shares as authorised by the renewed Share Purchase Mandate or it has decided to cease buying back its Shares, as the case may be,

if such acquisitions, taken together with those repurchased by the Company under the renewed Share Purchase Mandate, would cause their aggregate voting rights in the Company to increase by more than one per cent. (1%) in the preceding six (6) months.

It follows that where the aggregate voting rights held by the Concert Parties Group increase by more than one per cent. (1%) solely as a result of the purchase of Shares pursuant to the Share Purchase Mandate and no member of the Concert Parties Group has acquired any Shares during the relevant period outlined above, then the Concert Parties Group would be eligible for SIC's exemption from the requirement to make a general offer under Rule 14, or where such exemption had been granted, would continue to enjoy the exemption.

LETTER TO SHAREHOLDERS

- 2.9.5 If the Company ceases to buy back its Shares and the increase in aggregate voting rights held by the Concert Parties Group at such time is less than one per cent. (1%), the Concert Parties Group may acquire further voting Shares. However, any increase in the percentage of voting rights of the Concert Parties Group as a result of the Company's purchase of its Shares pursuant to the Share Purchase Mandate will be taken into account together with any Shares acquired (by whatever means) by the Concert Parties Group in determining whether the Concert Parties Group have increased their aggregate voting rights in the Company by more than one per cent. (1%) in any period of six (6) months.
- 2.9.6 Shareholders should note that by voting in favour of the resolution relating to the Share Purchase Mandate, they are waiving their rights to a general offer at the required price from the Concert Parties Group who, as a result of the purchase of Shares pursuant to the Share Purchase Mandate, would increase their aggregate percentage of total voting rights in the Company by more than one per cent. (1%) in any period of six (6) months (subject to the other conditions for exemption from the requirement to make a general offer as set out in Paragraph 2.9.4 above being fulfilled).**
- 2.9.7 Pursuant to the condition set out in Paragraph 2.9.4(iii) above, the Concert Parties Group will abstain from voting in favour of the resolution to approve the Share Purchase Mandate.
- 2.9.8 Save as disclosed above, the Directors are not aware of any other substantial shareholder (as defined in the Companies Act) of the Company who would become obliged to make a mandatory take-over offer for the Company under Rule 14 in the event that the Company purchases or acquires the maximum of 78,342,477 Shares (being ten per cent. (10%) of the total number of issued Shares as at the Latest Practicable Date) pursuant to the Share Purchase Mandate.
- 2.9.9 The statements herein do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the SIC at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchases of Shares by the Company.**

3 ANNUAL GENERAL MEETING

Pursuant to the Alternative Arrangements Order, the AGM will be held by way of electronic means on 23 April 2021 at 10.00 a.m..

In view of the current COVID-19 restriction orders in Singapore and the related safe distancing measures, Shareholders will not be able to attend the AGM in person. Instead, alternative arrangements have been put in place to allow Shareholders to participate in the AGM by (a) observing and/or listening to the AGM proceedings by "live" audio-visual webcast or by "live" audio-only stream, (b) submitting questions in advance of the AGM, and/or (c) voting by proxy at the AGM. For further information, please refer to the Notice of AGM and the AGM Announcement (which have been uploaded on the CES Corporate Website and SGXNET together with this Appendix), including the steps to be taken by Shareholders to participate at the AGM.

Shareholders' approval for the Share Purchase Mandate is being sought at the AGM. The resolutions relating to the Share Purchase Mandate is contained in the Notice of AGM as Resolution 11 (Ordinary Resolution).

LETTER TO SHAREHOLDERS

4 DIRECTORS' RECOMMENDATION

Having fully considered the rationale for the Share Purchase Mandate as set out in Paragraph 2.3 above, the Directors, with the exception of Mrs Celine Tang who is abstaining from making any recommendation in relation to the Share Purchase Mandate, believe that the Share Purchase Mandate is in the interest of the Company and recommend that Shareholders vote in favour of Resolution 11 (Ordinary Resolution).

5. ABSTENTION FROM VOTING

The Concert Parties Group shall abstain from voting at the AGM in respect of Resolution 11 (Ordinary Resolution) relating to the Share Purchase Mandate, for the reasons as further elaborated in Paragraph 2.9 above and will not accept nominations as proxies or otherwise for voting at the AGM unless specific instructions have been given in the Proxy Form as to the manner in which votes are to be cast in respect of the said Resolution 11 (Ordinary Resolution) at the AGM.

The Company will disregard any votes cast by the Concert Parties Group on Resolution 11 (Ordinary Resolution).

6. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

7. INSPECTION OF DOCUMENTS

This Appendix and the Annual Report for FY2020 are available for download or online viewing from the CES Corporate Website. To view the Annual Report for FY2020, please access <https://www.chipengseng.com.sg/investor-relations/annual-reports/>. To view this Appendix, please access <https://www.chipengseng.com.sg/investor-relations/announcements/> and click on the Appendix uploaded with the AGM Announcement.

Yours faithfully

Chia Lee Meng Raymond
Executive Director and Group Chief Executive Officer
for and on behalf of the Board of Directors
of Chip Eng Seng Corporation Ltd.

This page has been intentionally left blank.

This page has been intentionally left blank.

This page has been intentionally left blank.