



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

PROPOSED DISPOSAL OF THE PROPERTY AT 69 UBI CRESCENT VIA SHARE SALE

1. INTRODUCTION

The Board of Directors of Chip Eng Seng Corporation Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that its wholly-owned subsidiary, CES Capital Holdings Pte. Ltd. ("**CESCH**") had today entered into a sale and purchase agreement ("**SPA**") with Merlions Two (BVI) Limited (the "**Purchaser**") to sell all of its shares held in Evervit Development Pte Ltd ("**EDPL**") to the Purchaser (the "**Proposed Transaction**").

CESCH owns 100% of the issued ordinary shares in EDPL (the "**Sale Shares**"). EDPL is a property holding company whose main asset is the property located at 69 Ubi Crescent Singapore 408561 (the "**Property**").

The Purchaser is a BVI business company incorporated with limited liability in the British Virgin Islands, and is not related to the Company.

Upon completion of the Proposed Transaction ("**Completion**"), the Purchaser will own 100% of the issued ordinary shares in EDPL and EDPL shall cease to be a subsidiary of the Company.

2. INFORMATION ON EDPL AND THE PROPERTY

EDPL is a private company limited by shares incorporated under the laws of Singapore. The registered share capital of EDPL is S\$1,000,000, comprising 1,000,000 ordinary shares.

The Property is a six-storey light industrial building with a basement carpark, occupying an aggregate land area of approximately 35,562 square feet. The Property was built and completed by the Group in 2000, and has been held by the Group as an investment property. The Property is held on a leasehold basis and the remaining tenure of the head lease is approximately 35 years. As at the date of this announcement, the Property is 96% tenanted.

3. RATIONALE FOR THE PROPOSED TRANSACTION

The Group reviews its property investment portfolio from time to time to ensure that its portfolio is aligned with the Group's business plans. While the Property has been generating a stable stream of recurring rental income, it does not contribute significantly to the Group's revenue and profitability on the whole.

While sourcing for opportunities to dispose the Property, CESCH received an offer from the Purchaser to instead acquire 100% of the Sale Shares. The Proposed Transaction is in line with the Group's asset management strategy to divest non-strategic or non-core assets or assets which do not contribute significantly to its revenue and profitability. The Proposed Transaction will allow the Group to recycle the capital arising from the net proceeds of the sale for its working capital purposes and/or to pursue opportunities which have better upside potential in terms of yield and/or capital appreciation.

4. KEY TERMS OF THE SPA

- (a) **Purchase Price.** In connection with the acquisition of the Sale Shares, the Purchaser shall pay a total amount of S\$28 million (the “**Purchase Price**”) (which will be adjusted to reflect the final net asset value of EDPL) as follows:
- (i) an initial deposit of S\$280,000.00 (the “**Initial Deposit**”), which has been paid to CESCH on 15 October 2021 (being the date on which the Purchaser was granted an exclusivity period to conduct due diligence);
 - (ii) a further deposit of S\$1,120,000.00 (the “**Further Deposit**”), which has been paid to CESCH on the signing of the SPA;
 - (iii) an amount equivalent to S\$13,930,383.58 (the “**Shareholder’s Loan Repayment Amount**”), which will be paid to the Company on Completion, to discharge the outstanding shareholder’s loan (and the interest accrued thereon) provided by the Company to EDPL; and
 - (iv) an amount representing the balance of the Purchase Price after deducting the Initial Deposit, the Further Deposit and the Shareholder’s Loan Repayment Amount, and as adjusted to reflect the final net asset value of EDPL.

The Purchase Price was arrived at on a willing-buyer willing-seller basis following arm’s length negotiations with the Purchaser after taking into consideration, *inter alia*, the net asset value of EDPL, the market value of the Property, the outstanding amount of the shareholder’s loan provided by the Company to EDPL, and other commercial factors such as the location of the Property, the remaining tenure of the head lease and the tenancy arrangements.

Based on the latest unaudited management accounts of EDPL as at 30 November 2021, the net asset value per share of EDPL is approximately S\$12.97 and accordingly, the net asset value of EDPL is approximately S\$12.97 million.

The Purchase Price is higher than the valuation of the Property assessed as at 31 December 2020 by independent valuers appointed by the Group. For the avoidance of doubt, no valuation was commissioned for the purposes of the sale.

- (b) **Completion Date.** Subject to the terms and conditions of the SPA and the satisfaction of customary conditions precedent (including there being no notice of compulsory acquisition affecting more than three (3) per cent. of the land area of the Property and there not being any damage to the Property where the cost to reinstate the damaged premises exceeds the specified threshold amount or the works needed to reinstate the damaged premises cannot be completed within the specified time period), Completion shall take place on the date falling 12 weeks after the date of the SPA (being 11 March 2022) or such other date as CESCH and the Purchaser may agree in writing.
- (c) **Other terms.** The SPA contains other customary provisions, including representations and warranties, undertakings and other commercial terms.

5. FINANCIAL IMPACT

The Proposed Transaction is not expected to have a material impact on the net tangible assets and earnings per share of the Company for the current financial year ending 31 December 2021, and barring unforeseen circumstances, is also not expected to have a material impact on the net tangible assets and earnings per share of the Company for the next financial year ending 31 December 2022.

6. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors and, to the best of the Directors' knowledge, none of the substantial shareholders or controlling shareholders of the Company has any direct or indirect interest in the Proposed Transaction, other than through their respective shareholdings and/or directorships, as the case may be, in the Company.

Submitted by Chia Lee Meng Raymond, Executive Director and Group Chief Executive Officer, on 17 December 2021 to the SGX-ST.