



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

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**PROPOSED ACQUISITION OF LEASEHOLD ESTATE IN THE PROPERTY LOCATED AT 65 TECH PARK CRESCENT, SINGAPORE 637787**

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**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 the Company's wholly-owned subsidiary, CES-Precast Pte. Ltd. ("**CESP**"), has on 18 March 2020 been granted an option (the "**Option**") by Concrete Innovators Co. Pte. Ltd. (the "**Vendor**") to acquire the remaining unexpired leasehold estate in the property located at 65 Tech Park Crescent, Singapore 637787 (the "**Property**"), together with the machinery and fittings specified in the Option (the "**Proposed Acquisition**").

**2. INFORMATION RELATING TO THE VENDOR AND THE PROPERTY**

The Vendor is a company incorporated in Singapore, and is engaged in the business of pre-cast concrete works.

The Property has a leasehold estate of 60 years commencing from 18 August 1993 (the "**Lease**"). As at the date of this Announcement, the balance tenure of the Lease is approximately 33 years. The Property is a three-storey light industrial building with two mezzanine levels, and has a gross floor area of approximately 107,373 square feet and a site area of approximately 85,764 square feet.

**3. RATIONALE FOR, AND BENEFITS OF, THE PROPOSED ACQUISITION**

The Company's pre-cast concrete works and prefabricated prefinished volumetric construction ("**PPVC**") businesses are primarily carried out by CESP, with its pre-cast and PPVC components produced by its existing pre-cast plant in Johor, Malaysia (the "**Senai Plant**").

The Proposed Acquisition presents an opportunity for the Company to acquire an industrial building in Singapore for refurbishment into a facility capable of producing pre-cast and PPVC building components. It is intended that the facility at the Property will complement the Senai Plant and will serve to increase CESP's overall production of such components to meet the burgeoning demand for pre-cast and PPVC building components in construction and infrastructure projects. CESP currently owns an industrial property in Tuas, which it intends to continue using as a facility for carrying out finishing works to the pre-cast and PPVC components manufactured by the facility at the Property and the Senai Plant, and storage of such components.

Increased production capabilities will correspondingly increase CESP's capacity to tender for a greater volume of public sector projects of larger scale, to supply more pre-cast and PPVC components to the Company's building and infrastructure construction businesses, and undertake additional projects for other main contractors of building and infrastructure projects.

## 4. FURTHER DETAILS ON THE PROPOSED ACQUISITION

### 4.1 Exercise Period

CESP shall be entitled to exercise the Option between 9 June 2020 and 23 June 2020 (the "**Exercise Period**"). If CESP fails to exercise the Option within the Exercise Period, the Option shall be void and the Vendor will be entitled to retain the Option Fee (as defined below).

### 4.2 Purchase Price

The aggregate purchase price for the Property (together with the machinery and fittings) is S\$25.0 million (the "**Purchase Price**"), which shall be paid in the following manner:

- (a) an amount of S\$250,000, equivalent to 1% of the Purchase Price (the "**Option Fee**") has been paid to the Vendor on issuance of the Option;
- (b) an amount of S\$1,000,000, equivalent to 5% of the Purchase Price less the Option Fee, shall be payable on the date of exercise of the Option (the "**Option Exercise Date**"); and
- (c) the remaining S\$23,750,000, equivalent to 95% of the Purchase Price, shall be payable on completion of the Proposed Acquisition (the "**Completion**").

The Purchase Price was arrived at after arm's length negotiations between CESP and the Vendor, on a willing-buyer and willing-seller basis after taking into account factors such as the prevailing market conditions, the book value of the Property, recently transacted purchase prices of similar industrial properties within the same area as the Property, and the state of maintenance of the Property.

Based on an independent valuation (the "**Valuation**") commissioned by the Vendor in December 2019, the Property was valued at S\$26.0 million as at 20 December 2019. The results of the Valuation were given (a) based on the assumption that the Property will continue in its existing use, without taking into account any redevelopment potential, and (b) having regard to recent transactions of similar properties. The Valuation was not carried out for the purpose of the Proposed Acquisition.

### 4.3 Vacant Possession

The Property shall be sold with vacant possession to be delivered on Completion.

### 4.4 Conditions

Completion is subject to certain conditions, including the following:

- (a) the Vendor obtaining either (1) written consent from the Singapore Land Authority ("**SLA**") for the Vendor to sell and CESP to purchase the Property; or (2) the written confirmation from SLA that its consent is not required (in either case, the "**SLA Response**");
- (b) the Property being free from encumbrances;
- (c) CESP having received satisfactory replies to legal requisitions set out in the Option; and
- (d) no notice of acquisition or intended acquisition being served by the relevant authorities in respect of the Property which materially affects the Property.

### 4.5 Rescission Right

In the event that the SLA Response referred to under paragraph 4.4(a) is not obtained within three (3) months from the Option Exercise Date, the Option may be rescinded by either CESP or the Vendor.

In addition, CESP shall have the unilateral right to rescind the Option if any of the conditions under paragraphs 4.4(b) to 4.4(d) is not fulfilled.

#### 4.6 Completion

Completion shall be the date falling three (3) months after the Option Exercise Date, or three (3) months from the date of Vendor's receipt of the SLA Response, whichever is later.

### 5. FINANCIAL EFFECTS

5.1 The book value of the Property is approximately S\$25,850,000.

5.2 **FOR ILLUSTRATIVE PURPOSES ONLY:** The pro forma financial effects of the Proposed Acquisition on the Group have been prepared based on the Company's unaudited consolidated financial statements for the most recently completed financial year ended 31 December 2019 ("FY2019"). These pro forma financial effects are strictly for illustrative purposes only and do not reflect the actual financial position and results of the Group after completion of the Proposed Acquisition.

#### (a) Net tangible assets per share

Assuming that the Proposed Acquisition had been completed on 31 December 2019, the pro forma financial effects of the Proposed Acquisition on the net tangible assets ("NTA") per share of the Company for FY2019 would have been as follows:

|  | Before the Proposed Acquisition | After the Proposed Acquisition |
|--|---------------------------------|--------------------------------|
| NTA (S\$)  | 871,115,000                     | No change                      |
| Number of issued shares in the capital of the Company (excluding treasury shares) as at 31 December 2019 | 782,517,576                     | No change                      |
| NTA per share (Singapore cents)  | 111.32                          | No change                      |

#### (b) Earnings per share

Assuming that the Proposed Acquisition had been completed on 1 January 2019, the pro forma financial effects of the Proposed Acquisition on the earnings per share ("EPS") of the Company for FY2019 would have been as follows:

|   | Before the Proposed Acquisition | After the Proposed Acquisition |
|---|---------------------------------|--------------------------------|
| Profit attributable to shareholders (S\$)   | 33,320,000                      | 32,537,000 <sup>(1)</sup>      |
| Weighted average number of issued shares in the capital of the Company (excluding treasury shares) as at 31 December 2019 | 658,172,000                     | 658,172,000                    |
| EPS (Singapore cents)   | 5.06                            | 4.94                           |

**Notes:**

(1) The decrease in profit is attributed to depreciation of the Property by S\$783,000 for the period of FY2019, assuming that the Proposed Acquisition had been completed on 1 January 2019.

## 6. RELATIVE FIGURES OF THE PROPOSED ACQUISITION UNDER CHAPTER 10 OF THE LISTING MANUAL

Based on the latest announced unaudited consolidated financial statements of the Company for FY2019, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows for the Proposed Acquisition:

| Listing Rule | Bases   | Relative Figures (%)  |
|--------------|---|---|
| 1006(a)      | The net asset value (“NAV”) of the assets to be disposed of, compared with the Group’s NAV  | Not applicable to an acquisition of assets.   |
| 1006(b)      | The net profits <sup>(1)</sup> attributable to the assets to be acquired, compared with the Group’s net profits   | Not applicable <sup>(2)</sup>   |
| 1006(c)      | The aggregate value of the consideration, compared with the Company’s market capitalisation <sup>(3)</sup> based on the total number of shares in issue (excluding treasury shares) | 6.39  |
| 1006(d)      | The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.                 | Not applicable as no equity securities will be issued by the Company in connection with the Proposed Acquisition. |
| 1006(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 as the Company is not a mineral, oil and gas company.  |

**Notes:**

(1) Net profits means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.

(2) Not applicable as the Property will not be an income-generating asset on completion of the Proposed Acquisition.

(3) Based on the Company’s market capitalisation of S\$391,508,788 on 17 March 2020 (being the market day preceding the grant of the Option), based on 783,017,576 issued shares (excluding treasury shares).

As the relative figure calculated under Rule 1006(c) exceeds 5% but does not exceed 20%, the Proposed Acquisition shall constitute a “discloseable transaction” under Chapter 10 of the Listing Manual. Accordingly, shareholders’ approval is not required for the Proposed Acquisition.

## 7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

The Proposed Acquisition will be funded from bank borrowing and, if required, internal cash resources.

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

No person is proposed to be appointed as director of the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

**8. DOCUMENT AVAILABLE FOR INSPECTION**

A copy of the Option is available for inspection during normal business hours at the registered office of the Company at 171 Chin Swee Road, CES Centre #12-01, Singapore 169877 for a period of three months from the date of this Announcement.

Submitted by Chia Lee Meng Raymond, Executive Director and Group Chief Executive Officer, on 18 March 2020 to the SGX.