



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

ACQUISITION OF BOUSTEAD SALCON WATER SOLUTIONS PTE. LTD.

1. INTRODUCTION

The Board of Directors (the "**Board**") of Chip Eng Seng Corporation Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") is pleased to announce that its wholly-owned subsidiary, Chip Eng Seng Construction Pte. Ltd. (the "**Purchaser**"), has today entered into a sale and purchase agreement (the "**SPA**") with Boustead Singapore Limited (the "**Seller**") to acquire 100% of the issued and paid-up share capital (the "**Sale Shares**") of Boustead Salcon Water Solutions Pte. Ltd. ("**BSWS**") (the "**Acquisition**"). The Seller is listed on the Mainboard of the Singapore Exchange Securities Trading Limited.

Completion of the Acquisition ("**Completion**") has also taken place on the same day.

2. INFORMATION ON BSWS

Based on publicly available information, BSWS is a private company limited by shares that was incorporated in Singapore on 23 May 1980. BSWS is a fully integrated engineering, procurement, construction and maintenance contractor which is registered with the Building and Construction Authority of Singapore under the ME11-L6 workhead and is qualified to tender for public sector contracts with unlimited tender sums. BSWS also has a track record of providing water and wastewater treatment technologies to various projects globally, including the Al Wathba Enhanced Treated Sewage Effluent Treatment Plant in the United Arab Emirates, Asia Symbol Pulp & Paper Mill in the People's Republic of China and the Bedok NEWater Factory (Phase II) and Senoko Power Station in Singapore.

Based on the last announced unaudited consolidated financial statements of the Seller and its subsidiaries for the financial period ended 30 September 2020, the net liability value of BSWS is approximately S\$2.63 million.

3. RATIONALE FOR THE ACQUISITION

The Board believes that the Acquisition presents an opportunity for the Group to extend the footprint of its existing civil infrastructure business to include the design, engineering, supply and commissioning of water and wastewater treatment technologies and solutions. The Group will benefit from BSWS' differentiating capabilities and track record, which will enhance the ability of the Group to participate in a broader range of competitive engineering, procurement and construction tender projects, including civil and infrastructure projects, which are of larger scale and/or higher value. Significantly, BSWS is qualified to tender for public sector contracts in Singapore with unlimited tender sums.

4. PRINCIPAL TERMS OF THE ACQUISITION

4.1 Consideration. The consideration for the Acquisition is S\$7.28 million (the "**Consideration**"). The Consideration was paid in cash to the Seller on the date of the Completion, and was funded and paid out of the internal cash resources of the Group.

The Consideration was arrived at on an arm's length willing-seller-willing-buyer basis, taking into account factors such as the net current assets and total equity of BSWS, the track record and experience of BSWS in the water and wastewater treatment sector and upcoming project tender opportunities.

4.2 Terms. The SPA contains customary provisions, including representations and warranties, post-completion non-solicitation covenants on the Seller, limitations of the Seller's liabilities and other commercial terms.

4.3 Buyback of Foreign Subsidiaries. As part of the Acquisition, the Seller has entered into a buy back agreement with BSWS pursuant to which the Seller shall buy back from BSWS the following foreign subsidiaries of BSWS: Boustead Salcon Processes Private Limited (a company incorporated in India) and Salcon-Thai Company Limited (a company incorporated in Thailand).

5. RELATIVE FIGURES PURSUANT TO RULE 1006 OF THE LISTING MANUAL

The relative figures as computed on the bases as set out in Rule 1006 of the Listing Manual, based on the latest financial results announced by the Company in respect of its half year financial period ended 30 June 2020 are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	Net asset value of the assets to be disposed of, compared with the Group's net asset value	N.A. ¹
(b)	Net profits attributable to the Sale Shares, compared with the Group's net profits	-9.1% ²
(c)	Aggregate value of the consideration to be given in relation to the Acquisition, compared with the market capitalisation of the Company	2.2% ³
(d)	Number of equity securities issued by the Company as consideration for the Acquisition, compared with the number of equity securities of the Company previously in issue	N.A. ⁴
(e)	Aggregate volume or amount of proved and probable resources to be disposed of, compared with the aggregate of the Group's proved and probable resources	N.A. ⁵

Notes:

1. *Not applicable as the Acquisition involves an acquisition of assets by the Purchaser.*
2. *"Net profits" means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests. The net loss attributable to the Sale Shares acquired pursuant to the Acquisition (calculated based on the unaudited management accounts of BSWs for the period of 1 January 2020 to 30 June 2020) is S\$2,309,000, and the Group's unaudited net losses before tax for the same period is S\$25,245,000.*
3. *The Company's market capitalisation of S\$336.7 million is based on a total number of 782,924,776 Shares (as defined below) in issue as at the date of this announcement and the volume weighted average price per Share of S\$0.43 transacted on 29 December 2020, being the last market day preceding this announcement.*
4. *Not applicable as the Consideration will be fully paid in cash.*
5. *Not applicable as the Company is not a mineral, oil and gas company.*

Based on the above, the Acquisition constitutes a "discloseable transaction" for the purposes of Chapter 10 of the Listing Manual notwithstanding that the relative figure under Rule 1006(b) is a negative figure, as the range of relative figures fall within the situation envisaged under paragraph 4.4(a) of Practice Note 10.1 (and no other situation within paragraph 4.4 of Practice Note 10.1 is applicable to the Acquisition). In the circumstances, paragraph 4.4 of Practice Note 10.1 provides that the Company must announce the information required in Rules 1010 to 1013 (where applicable). Rules 1012 and 1013 are not applicable based on the terms of the Acquisition.

6. FINANCIAL EFFECTS

The unaudited pro forma financial effects analysis of the Acquisition has been prepared on the following key bases and assumptions:

- (a) based on, among others, the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2019;
- (b) for the purposes of illustrating the financial effects of the Acquisition on the net tangible assets ("**NTA**") per Share of the Group, it is assumed that the Acquisition had been completed on 31 December 2019;
- (c) for the purposes of illustrating the financial effects of the Acquisition on the earnings per Share ("**EPS**") of the Group, it is assumed that the Acquisition had been completed on 1 January 2019;
- (d) the NTA per Share is computed based on 782,517,576 ordinary shares of the Company in issue (the "**Shares**") as at 31 December 2019;
- (e) the EPS of the Group is computed based on the weighted average number of 658,172,318 Shares in issue for the financial year ended 31 December 2019; and

- (f) the financial effects of the Acquisition are purely for illustrative purposes only and are neither indicative of the actual financial effects of the Acquisition on the NTA per Share and EPS of the Group, nor do they represent the future financial performance and/or position of the Group immediately following Completion.

6.1 Effect of the Acquisition on the NTA per Share

On the bases and assumptions set out above, the pro forma effect of the Acquisition on the NTA per Share of the Group is as follows:

	<u>Before the Acquisition</u>	<u>After the Acquisition</u>
NTA (S\$'000)	875,550	867,622
NTA per Share (Singapore cents)	111.89	110.88

6.2 Effect of the Acquisition on EPS

On the bases and assumptions set out above, the pro forma effect of the Acquisition on the EPS of the Group is as follows:

	<u>Before the Acquisition</u>	<u>After the Acquisition</u>
Profit attributable to shareholders (S\$'000)	33,320	27,562
Profit Per Share (Singapore cents)	5.06	4.19

7. **SERVICE CONTRACTS**

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

8. **INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA is available for inspection at the registered office of the Company at 171 Chin Swee Road, #12-01 CES Centre, Singapore 169877 during the Company's usual business hours for a period of three (3) months from the date of this announcement.

Submitted by Chia Lee Meng Raymond, Executive Director and Chief Executive Officer, on 30 December 2020 to the SGX