



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

PROPOSED DISPOSAL OF PROPERTY LOCATED AT 15-55 AND 85 GLADSTONE STREET, SOUTH MELBOURNE, VICTORIA, 3205

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 Gladstone (Vic) Pty Ltd ("**CES Gladstone**"), has on 18 December 2020 entered into an agreement (the "**Contract of Sale**") to sell (the "**Proposed Disposal**") its property located at 15-55 and 85 Gladstone Street, South Melbourne, Victoria, 3205 (the "**Property**").

The purchaser to the Contract of Sale is a trust managed by a subsidiary of the Greystar group of companies, and/or its nominee (the "**Purchaser**").

2. INFORMATION RELATING TO THE PROPERTY AND RATIONALE FOR THE PROPOSED DISPOSAL

The Property has a site area of approximately 5,900 square metres and was acquired by CES Gladstone in April 2016 for development and construction of the Property into three towers comprising over 700 residential units. As at the date of this announcement, above-ground construction works have not yet commenced, and the Property will be sold with vacant possession.

The Group has traditionally adopted the strategy of reviewing opportunities to divest its existing properties or assets, as and when they arise, in order to re-deploy capital for new properties or asset classes which have better upside potential in terms of yield and/or capital appreciation. The Proposed Disposal will allow the Group to re-deploy its capital to pursue opportunities that can generate better returns based on current and anticipated market conditions, taking into account the impact of the COVID-19 pandemic on the real estate sector in Melbourne.

In selecting the offer from the Purchaser over other offers received, the Company had taken into consideration factors such as the Sale Price (as defined below), the book value of the Property and the overall package of the terms offered by the Purchaser (including the extent of the conditions to be satisfied before the Proposed Disposal can proceed to completion as well as the execution timeframe).

Notwithstanding the Proposed Disposal, the Australia market remains an integral part of the Group's long-term growth and diversification strategies. The Group has been steadily increasing its portfolio of assets and businesses in Australia over the years, including the acquisition in 2018 of the property located at 51 Pirie Street in Adelaide, Australia for redevelopment into a Hyatt Regency Hotel.

The Group will continue to review its operations and strategic plans in Australia moving forward, with a view to actively identify and pursue opportunities to expand its businesses in Australia for good potential returns, including opportunities for the property development business segment to acquire and develop suburban residential projects, and for the education business segment to expand its presence in Australia through organic growth and/or acquisitions.

3. FURTHER DETAILS ON THE PROPOSED DISPOSAL

3.1 Sale Price

The sale price for the Property is A\$65,000,000 (the “**Sale Price**”), and is subject to customary adjustment on completion of the Proposed Disposal (“**Completion**”).

The Sale Price shall be paid by the Purchaser in the following manner:

- (a) a deposit of A\$3,250,000, equivalent to 5% of the Sale Price (the “**Deposit**”), which is held in the trust account of CES Gladstone’s solicitors; and:
- (b) the remaining A\$61,750,000, equivalent to 95% of the Sale Price, shall be payable to CES Gladstone on Completion.

The Purchaser will be entitled to the return of the Deposit (together with any interest accrued thereon) under any of the following circumstances:

- (i) the Contract of Sale is terminated by the Purchaser due to CES Gladstone’s inability to complete the Proposed Disposal on Completion, including for failure by CES Gladstone to terminate the Residential Sale Contracts (as defined below) on or prior to the date of Completion; or
- (ii) the Contract of Sale is terminated in the event the condition referred to in paragraph 3.2(a) below is not fulfilled.

Save as provided above, the Deposit (and any interest accrued thereon) is non-refundable and will be retained by CES Gladstone.

3.2 Completion and Conditions Precedent

Completion shall take place on 31 March 2021, subject to satisfaction of the following conditions:

- (a) the Purchaser having obtained the necessary regulatory approvals (the “**Purchaser Regulatory Approvals**”) by 29 March 2021 (the “**Regulatory Sunset Date**”); and
- (b) CES Gladstone having terminated all of the sale contracts it has entered into with purchasers of units in the project to be developed on the Property (the “**Residential Sale Contracts**”).

4. FINANCIAL IMPACT

The Proposed Disposal and the termination of the Residential Sale Contracts are not expected to have any material impact on the net tangible assets and the earnings per share of the Company for the current financial year ending 31 December 2020 or for the financial year ending 31 December 2021.

5. OTHERS

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 Disposal, 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 18 December 2020 to the SGX.