



JOINT VENTURE WITH INCEPTION MATERIALS PTE. LTD.

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, Chip Eng Seng Construction Pte. Ltd. (“**CES Construction**”) has today entered into a joint venture for the procurement of construction-related supplies and materials (the “**Joint Venture**”) with Inception Materials Pte. Ltd. (“**IM**”, and together with CES Construction, the “**Joint Venture Partners**”) and Mr. Ye Chengzhong (“**Mr Ye**”).

2. JOINT VENTURE

2.1 Scope of Joint Venture

The primary business of the Joint Venture will be to provide procurement services relating to construction-related supplies and materials, and related services.

2.2 Joint Venture Company

The Joint Venture will be through a joint venture company, Eura Construction Supply Pte. Ltd. (the “**JVCo**”), which is incorporated in Singapore.

The JVCo is currently a wholly-owned subsidiary of the Company. Following the entry into the Joint Venture Agreement (as defined below), the Joint Venture Partners will collectively provide an initial capital contribution of S\$1,000,000 to the JVCo, in accordance with their respective shareholding proportion, by way of subscribing for new shares in the JVCo. After the allotment and issue of the new shares, CES Construction will hold 55% of the issued and paid-up share capital in the JVCo, while IM will hold the remaining 45%.

2.3 Joint Venture Agreement

For the purposes of the Joint Venture, the Joint Venture Partners and the JVCo have entered into an agreement (the “**Joint Venture Agreement**”) to, amongst other things, regulate the relationship of the Joint Venture Partners as shareholders of the JVCo, including board composition, financing obligations, dividend policy, share transfer restrictions and restricted matters. The Joint Venture Agreement also contains provisions to regulate the management and operations of the JVCo.

Mr Ye, who is the sole shareholder of IM, is also a party to the Joint Venture Agreement to guarantee the due and punctual performance by IM of its obligations under the Joint Venture Agreement.

Under the terms of the Joint Venture Agreement, Mr Ye will be a director of the JVCo (in addition to two other directors who will be nominated by CES Construction). It is also intended that Mr Ye will be employed by the JVCo to manage the day-to-day operations of the Joint Venture. Both IM and Mr Ye have also undertaken not to be involved in any business that is competitive with that of the Joint Venture.

3. INFORMATION ON THE JOINT VENTURE PARTNER

IM is a company incorporated in Singapore and wholly owned by Mr Ye. Mr Ye is a Chinese/Hong Kong SAR citizen and a businessman with broad experience, sales networks and contacts in the People's Republic of China ("PRC") for the procurement of construction-related supplies and materials. Mr Ye began to engage in the import and sales of building materials and electronic products in 1994. Since 2006, Mr Ye had also established a number of PRC companies where he, inter alia, performed the operation of trading projects of construction materials. Under Mr Ye's leadership, these companies built strategic partnerships with various well-known international brands and cover a variety of products. In addition, Mr Ye had worked with research institutes in relation to the research of insulation materials in the PRC. In the last five years, Mr Ye had also participated in the investments of key projects in the PRC and collaborated with other PRC companies to develop and produce wood flooring products and improve and optimize interior decoration construction.

4. RATIONALE FOR JOINT VENTURE

The entry into the Joint Venture is in line with the Group's strategic plans to augment its construction business segment. In the last two years, the Group has been expanding its capabilities in the construction business segment so that it can participate in a broader range of competitive construction tender projects and which are of larger scale and/or higher value. The procurement of supplies and materials is part and parcel of construction projects and setting up a procurement business unit within the Group's construction business segment will be a complementary addition to such business segment.

The Company believes that the Joint Venture will allow the Group to leverage on Mr Ye's business networks, resources and familiarity with the procurement business (particularly in the PRC) to procure construction-related supplies and materials within efficient timeframes and at competitive prices and quality. In addition, the Company believes that this will result in cost-savings within the Group whilst also maximising existing revenue streams.

5. FINANCIAL IMPACT

CES Construction's proportionate contribution of S\$550,000 to the issued and paid-up share capital of the JVCo will be funded by internal resources.

The entry into the Joint Venture is not expected to have a significant impact on the net tangible assets and earnings per share of the Company for the current financial year ending 31 December 2021.

6. INTEREST OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors and, to the best of the Directors' knowledge, none of the substantial shareholders of the Company has any interest, direct or indirect, in the Joint Venture, 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 21 April 2021 to SGX