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

ANNUAL GENERAL MEETING TO BE HELD ON 23 APRIL 2021
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS

The Board of Directors of Chip Eng Seng Corporation Ltd. (the "**Company**") refers to the announcement released by the Company on 8 April 2021 relating to the details of the Company's annual general meeting to be held by electronic means on 23 April 2021 at 10.00 a.m.

As mentioned in the said announcement, the Company will endeavor to address substantial and relevant questions relating to the resolutions to be tabled for approval at the annual general meeting or the Company's businesses and operations, which are submitted no later than 10.00 a.m. on 20 April 2021.

The Company would like to thank all shareholders who have submitted their questions by the submission deadline. The responses to the substantial and relevant questions received by the Company are set out in the Appendix to this announcement.

Submitted by Chia Lee Meng Raymond, Executive Director and Group Chief Executive Officer, on 22 April 2021 to the SGX.

APPENDIX

In the responses set out below:

"**Board**" means the board of directors of the Company.

"**Company**" means Chip Eng Seng Corporation Ltd.

"**FY**" means the financial year ended or, as the case may be, ending 31 December.

"**FY2020 AR**" means the annual report of the Company for FY2020.

"**Group**" means the Company and its subsidiaries collectively.

"**Notice of AGM**" means the Company's notice of annual general meeting dated 8 April 2021.

Note: Questions from shareholders are reproduced below "as-is".

A. Questions relating to the Property Development Business

A.1 "For Kopar@Newton, has the foundation milestone been achieved last year?"

Response:

No, as the commencement of foundation works were affected by the gradual resumption of works at construction sites after the circuit breaker period. The Group expects that the foundation works will be completed in the second half of FY2021. Notwithstanding the delay in achieving the foundation milestone, the Group is still targeting to achieve timely delivery of the completed units to the homebuyers.

A.2 "For High Park Residences and Grandeur Park Residences, please advise when the certificates of statutory completion (CSC) are going to be obtained."

Response:

High Park Residences received its CSC in 2019. In the case of Grandeur Park Residences, the Group expects receipt of the CSC in the second half of FY2021.

A.3 "In view of the strong property market in Australia, is the company planning to launch more projects in Australia this year?"

Response:

Having regard to the uncertainties arising from the prolonged impact of the COVID-19 pandemic, the Group is taking a cautious view with respect to the prospects of the real estate market in Australia. The Group is thus adopting a wait-and-see approach with respect to undertaking new development projects in Australia, but will not discount embarking on new projects should a viable opportunity arise.

B. Questions relating to the Education Business

B.1 "Pls provide an update on CES's education business and whether the Group is moving in the right direction given the current Covid situation. I would like to hear from the Management on the future strategic plans for CES's education business."

Response:

The revenue generated by the education business segment has grown year-on-year since its inception. In FY2020, the revenue generated by this business segment increased significantly from $13.8 million in FY2019 to $25.9 million, representing an increase of 87.8%. The increase is mainly attributable to contributions from the international schools operated by the Group.

However, the business segment was affected by the Covid-19 pandemic which slowed down the growth of enrolment for most of FY2020 and delayed the licensing and completion of renovations for new schools in the pipeline until late FY2020.

Going forward, operating K-12 international schools will remain a key focus of this business segment. In particular, the Group will leverage on its Invictus brand for the expansion of its international school offering. As announced recently on 7 April 2021 (*Built-to-Suit Collaboration for a K-12 International School Campus in Horizon Hills, Johor Bahru*), the Group has commissioned a built-to-suit campus in Johor Bahru, Malaysia, which it will lease and operate as an Invictus-branded K-12 international school. The Group also intends to capitalise on the new growth area relating to online learning, by creating new platforms which offer blended education programmes comprising a mix of online and onsite learning.

Please refer to pages 20 to 21 of the Company's FY2020 AR for more details on the strategic plans for this business segment.

C. Questions relating to Borrowings

C.1 "With Grandeur Park Residences having obtained temporary occupancy permit (TOP) and Park Colonial obtaining TOP this year, which are two big projects, can we expect significant deleveraging in the company's financials for FY21"?

Response:

In the case of Grandeur Park Residences, following receipt of TOP in December 2020, the Group has fully repaid its bank borrowings for this project in the first quarter of FY2021. The Group's borrowings have reduced from approximately $1.8 billion as at 31 December 2020 to approximately $1.5 billion as at 31 March 2021, mainly as a result of such repayment.

As for Park Colonial, assuming TOP is obtained in FY2021, the bank borrowings for this project will also be due for repayment after receipt of TOP. For avoidance of doubt, the Group is in a position to make such repayment.

Repayment of borrowings for these two projects would indeed significantly reduce the leveraging of the Group. However, the Group's level of leveraging is fluid as the Group may still need to incur borrowings from time to time to grow its businesses. For instance, the Group is on the look-out for opportunities to replenish its land bank. The Group will have to incur borrowings to fund any acquisition of land and the development thereof.

In any event, the Group is bound by financial covenants in respect of its borrowings. For instance, under the terms of the Company's $750 million multicurrency debt issuance programme, its consolidated net debt to consolidated total equity cannot exceed 2.75 : 1.

C. 2 "Out of the $1.8B in borrowings by the company, please indicate (in percentage terms) how much is related specifically to the property development business in Singapore."

Response:

Approximately 63%.

D. Questions relating to Business Strategies

D.1 **“**Moving forward from COVID, how would CES be looking to secure more government and private contracts from the fiscal policies that would be in place to move the entire economy forward. And also, considering many distressed companies with undervalued assets by and large, how would CES be looking in terms of acquisition in 2021?”

Response:

The first question is more relevant to the Company’s construction business. In December 2019, the Group has, through an acquisition, expanded its capabilities in the building, infrastructure, construction and construction project management business. More recently in December 2020, also through an acquisition, the Group extended the footprint of its civil engineering and infrastructure business to include the design, engineering, supply and commissioning of water and wastewater treatment technologies and solutions. In FY2020, the Group acquired an additional industrial facility in Singapore to increase the production capacity of its precast unit. Increased production capabilities will correspondingly increase the ability of the Group’s precast unit to tender for a greater volume of public sector projects of larger scale.

The differentiating capacity and track record of the various units within the Group’s construction business segment will enhance the ability of the Group to participate in a broader range of projects which are of larger scale and/or higher value. The Group’s construction business segment will also actively harness technology to enhance its productivity as construction technology will be a prominent feature in this sector going forward.

With respect to the second question, the Company has been undertaking acquisitions in recent years to grow its businesses. There is no change to this strategy in FY2021. The Company will assess the feasibility and suitability of each acquisition opportunity, regardless of whether the target is distressed or undervalued.

D.2 “With Capitaland spinning off property development arm to unlock value for shareholders, how is Chip Eng Seng going to unlock value for shareholders as the share price has been on a decline since the new owner, Celine Tang has taken over from Lim Tiam Seng, the founder?”

Response:

The Company is open to opportunities which can unlock value for its shareholders and is constantly exploring opportunities to do so. However, that does not necessarily mean the Company has to adopt the same approach taken by other companies which are in similar business areas. In assessing any opportunity, the Company will have to keep in view considerations which are specific to the Group.

E. Questions relating to Dividend Payout

E1 “Pertaining to resolution 1 and 6, please justify why the 50% drop in dividend does not correspond with the 2.4% drop in director's fee? Is there a conflict of interest between the directors and the shareholders?”

Response:

The directors’ fees reflected in Resolution 6 in the Notice of AGM refer to the fees payable to the Company’s non-executive directors (“**NEDs**”). Such fees are determined according to a fixed framework, which comprise a basic retainer fee and additional fees for involvement in board committees. The amount of additional fee a NED is entitled to varies according to the board committee and the number of board committees such NED is serving in, and the responsibility of such NED in a board committee (eg. whether as chairman or as member). The Group has grown significantly in size and scope in recent years and these are additional factors taken into account for setting the framework to ensure that the directors' fees are commensurate with the responsibilities of, and the time and effort expended by, the NEDs. The remuneration committee and the Board have also have taken reference from comparable benchmarks. Please refer to the Company's Corporate Governance Report on page 90 of the FY2020 AR for more details on the framework for the fees payable to NEDs.

In the case of determining the amount of dividends to be declared, the Board takes into consideration factors such as the availability of retained earnings, the Group's near-term capital requirements and liquidity as well as the outlook on the Group's prospects and profitability in the current financial year. Although the Company recorded an unprecedented net loss in FY2020, this was largely due to headwinds caused by the COVID-19 pandemic. The fundamentals of the Group remain strong and the Company has sufficient retained earnings accumulated through years of profitability and financial prudence. Bearing in mind that the Company may require reserves to tap into to cope with the prolonged impact arising from the COVID-19 pandemic, the Board considered it justifiable to declare dividends for FY2020, albeit at a lower 2.0 cents per share compared to 4.0 cents per share in previous years.

As outlined above, different considerations apply in determining directors' fees and determining the amount of dividends to be declared. There is no conflict between the two as in each case, the Board has a duty to act in the best interests of the Company.

E.2 "Based on what is printed on the notice of annual general meeting, it is noted that there are two dividends declared 2 cents and 4 cents. Is there any printed error?"

Response:

There is no error. As set out in Resolution 2 in the Notice of AGM, the reference to the first and final dividends of 2.0 Singapore cents per ordinary share is with respect to the dividends declared for FY2020. The reference to the dividends of 4.0 Singapore cents per share is with respect to the dividends declared for FY2019.