



PROPOSED DISPOSALS OF SHOPHOUSE PROPERTIES

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, CES Capital Holdings Pte. Ltd. (“**CES Capital**”), has on 7 April 2021 entered into the following separate agreements:

- (i) a sale and purchase agreement (the “**TPR SPA**”) to sell its properties located at 84/A/B Tanjong Pagar Road, Singapore 088505 and 86/A/B Tanjong Pagar Road, Singapore 088507 (collectively, the “**TPR Properties**”); and
- (ii) an option to purchase (the “**GR Option**”) pursuant to which CES Capital has granted an option to purchase in respect of its property located at 115 Geylang Road, Singapore 389218 (the “**GR Property**”, and together with the TPR Properties, collectively the “**Properties**”),

(collectively, the “**Proposed Disposals**”).

Both the purchaser of the TPR Properties (the “**TPR Purchaser**”) and the grantee of the GR Option (the “**GR Purchaser**”) are unrelated to the Group.

To the best of the Company’s knowledge, the TPR Purchaser and the GR Purchaser are not related to each other.

2. INFORMATION RELATING TO THE PROPERTIES

The TPR Properties consist of two adjoining 3-storey conservation shophouses occupying an aggregate land area of approximately 1,653 square feet.

The GR Property consists of three adjoining units of 2.5-storey shophouses with a 4-storey rear extension, occupying an aggregate land area of approximately 3,290 square feet.

The TPR Properties and the GR Property were acquired by the Group in 1988 and 1996 respectively, and have been held by the Group as investment properties. The Properties are currently tenanted and will be sold subject to the tenancy agreements subsisting as at the relevant date of completion.

3. RATIONALE FOR THE PROPOSED DISPOSALS

The Group reviews its property investment portfolio from time to time to ensure that its portfolio is aligned with the Group’s business plans. While the Group’s shophouse properties in Singapore have been generating a stable stream of recurring rental income, they do not contribute significantly to the Group’s revenue and profitability on the whole. The Proposed Disposals are thus in line with the Group’s asset management strategy to divest non-strategic or non-core assets or assets which do not contribute significantly to its revenue and profitability. The Proposed Disposals will allow the Group to recycle the capital arising from the net proceeds of the sale for its working capital purposes and/or to pursue opportunities which have better

upside potential in terms of yield and/or capital appreciation. The Group is actively seeking offers for its remaining shophouse property in Singapore.

4. KEY TERMS OF THE TPR SPA

- (a) **Purchase Price.** The purchase price for the TPR Properties is S\$10,680,000.00 (the “**TPR Purchase Price**”), exclusive of goods and services tax. The TPR Purchase Price shall be paid by the TPR Purchaser in the following manner:
- (i) an initial deposit of S\$534,000.00, being an amount equivalent to 5% of the TPR Purchase Price to be paid to CES Capital on or before the date of the TPR SPA. The aforesaid initial deposit has been paid to CES Capital on 31 March 2021;
 - (ii) a further deposit of S\$1,068,000.00, being an amount equivalent to 10% of the TPR Purchase Price, will be paid to CES Capital within five weeks after the date of the TPR SPA;
 - (iii) a final deposit of S\$1,068,000.00, being an amount equivalent to 10% of the TPR Purchase Price, will be paid to CES Capital’s solicitors within twelve weeks after the date of the TPR SPA, to be held by CES Capital’s solicitors as stakeholders and released to CES Capital on 1 November 2021; and
 - (iv) the remaining sum of S\$8,010,000.00, being the amount equivalent to 75% of the TPR Purchase Price, will be paid to CES Capital on the date of completion of the sale of the TPR Properties (the “**TPR Completion Date**”).

The TPR Purchase Price was arrived at on a willing-buyer willing-seller basis following arm’s length negotiations with the TPR Purchaser after taking into consideration, *inter alia*, various commercial factors such as the location of the TPR Properties, the tenancy arrangements, the market value of the TPR Properties and prevailing market conditions.

The TPR Purchase Price is higher than the valuation of the TPR Properties assessed as at 31 December 2020 by independent valuers appointed by the Group. For the avoidance of doubt, the valuation was not commissioned for the purposes of the sale of the TPR Properties.

- (b) **Completion Date.** Completion of the sale of the TPR Properties shall take place on 23 December 2021, or such other date as may be mutually agreed by CES Capital and the TPR Purchaser.
- (c) **Assignment of Tenancy Agreements.** The tenancy agreements relating to the TPR Properties which are subsisting as at the TPR Completion Date will be assigned to the TPR Purchaser. In the meantime, CES Capital will have the benefit of such tenancy agreements (including the lease revenue) up to and including the TPR Completion Date.

5. KEY TERMS OF THE GR OPTION

- (a) **Option Fee.** The option fee for the grant of the GR Option is S\$135,000.00 (the “**Option Fee**”), being an amount equivalent to 1% of the GR Purchase Price (as defined below). The Option Fee has been paid to CES Capital on 7 April 2021.

If the GR Purchaser does not exercise the GR Option on or before the Expiry Date (as defined below), the GR Option shall lapse and be of no effect and the Option Fee shall be forfeited in full and retained by CES Capital.

- (b) **Option Period.** The GR Option is valid for exercise by the GR Purchaser up to 5.00 p.m. on 28 April 2021 (the “**Expiry Date**”), being the date falling three weeks after the date of the GR Option.
- (c) **Purchase Price.** The purchase price for the GR Property is S\$13,500,000.00 (the “**GR Purchase Price**”), exclusive of goods and services tax. The GR Purchase Price is inclusive of the Option Fee, which has been paid to CES Capital. The balance of the GR Purchase Price shall be paid by the GR Purchaser in the following manner:
- (i) a deposit of S\$540,000.00, being an amount equivalent to 5% of the GR Purchase Price less the Option Fee, will be paid to CES Capital upon exercise of the GR Option on or before the Expiry Date; and
 - (ii) the remaining sum of S\$12,825,000.00, being the amount equivalent to 95% of the GR Purchase Price, will be paid to CES Capital on the date of completion of the sale of the GR Property (the “**GR Completion Date**”).

The GR Purchase Price was arrived at on a willing-buyer willing-seller basis on arm’s length negotiations with the GR Purchaser after taking into consideration, *inter alia*, various commercial factors such as the location of the GR Property, the tenancy arrangements, the market value of the GR Property and prevailing market conditions.

The GR Purchase Price is higher than the valuation of the GR Property assessed as at 31 December 2020 by independent valuers appointed by the Group. For the avoidance of doubt, the valuation was not commissioned for the purposes of the sale of the GR Property.

- (d) **Completion Date.** Completion of the sale of the GR Property shall take place twelve weeks after the date of exercise of the GR Option.
- (e) **Assignment of Tenancy Agreements.** The tenancy agreements relating to the GR Property which are subsisting as at the GR Completion Date will be assigned to the GR Purchaser. In the meantime, CES Capital will have the benefit of such tenancy agreements (including the lease revenue) up to and including the GR Completion Date.

6. FINANCIAL IMPACT

The completion of either or both of the Proposed Disposals is not expected to have significant impact on the net tangible assets and earnings per share of the Company for the current financial year ending 31 December 2021.

7. OTHERS

None of the Directors, and to the best of the Directors’ knowledge, none of the substantial shareholders or controlling shareholders of the Company has any interest, direct or indirect, in any of the Proposed Disposals, 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 7 April 2021 to the SGX-ST.