



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

**AWARD OF TENDER FOR THE PROPERTY
LOCATED AT 12 TAI SENG LINK, SINGAPORE 534233**

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 Properties (Tai Seng) Pte. Ltd. (“**CESPTS**”), had on 5 September 2022 submitted a tender (the “**Tender**”) to OKH (Woodlands) Pte. Ltd. (the “**Vendor**”) for the purchase (the “**Proposed Acquisition**”) of the property located at 12 Tai Seng Link, Singapore 534233 (the “**Property**”), together with plant and equipment thereon to be sold together with the Property (the “**Plant and Equipment**”).

The Tender has been accepted by the Vendor on 8 November 2022 (the “**Tender Acceptance Date**”).

2. INFORMATION RELATING TO THE VENDOR AND THE PROPERTY

The Vendor is a company incorporated in Singapore. The Vendor is a wholly-owned subsidiary of OKH Global Ltd. (“**OKH**”), which is listed on the Main Board of the Singapore Exchange Securities Trading Limited. OKH, together with its subsidiaries (including the Vendor), is engaged in the business of property development, property investment and construction services.

The Tender was awarded to CESPTS following a public tender exercise for the sale of the Property launched by the Vendor on 25 July 2022.

The Property is held under a leasehold estate of 30 years commencing from 9 October 2012 (the “**Lease**”). As at the date of this announcement, the balance tenure of the Lease is approximately 20 years. The Property is a ten-storey industrial building with a basement carpark, and has a gross floor area of approximately 10,839.93 square meters and a site area of approximately 4,335.9 square meters.

3. RATIONALE FOR, AND BENEFITS OF, THE PROPOSED ACQUISITION

The Group’s current corporate office is located at CES Centre (171 Chin Swee Road, Singapore 169877), which is zoned for commercial use. Presently, the Group occupies a net lettable area of almost 4,000 square meters at CES Centre and is expected to require more space in view of the Group’s plans for expansion.

In particular, the Group has over the years expanded its construction business division to include capabilities ranging from general building construction and precast technology, and more recently, infrastructure and civil engineering, water and environmental engineering and modular building construction (3D printing technology).

The Proposed Acquisition presents an opportunity for the Group to acquire an industrial building in Singapore which is suitable for both industrial and ancillary office use, and with allowance of space to accommodate the Group's further expansion. The Group intends to refurbish the Property into a fully-equipped facility to house its corporate and business units as well as industrial-related activities such as 3D printing, housing of research and design laboratories and erection of mock-up units, which would enhance the capacity and capabilities of its construction business division and the potential to participate in larger and more complex tenders, thereby enabling the business to move up the value chain. The Group also believes that housing its industrial functions together with the related business units under the same roof will help foster greater synergy and increase overall productivity.

In addition, as the Property will be sold with existing tenancies as at the date of completion of the Proposed Acquisition ("**Completion**"), the tenancies will provide the Group with an additional revenue stream during their relevant tenancy periods.

4. FURTHER DETAILS ON THE PROPOSED ACQUISITION

4.1 Purchase Price

The purchase price for the Property tendered (the "**Purchase Price**") is S\$35.0 million which shall be paid by CESPTS in the following manner:

- (a) S\$400,000, being the tender fee paid to the Vendor's solicitors (who shall hold the same as stakeholders pending Completion) on submission of the Tender (the "**Tender Fee**");
- (b) S\$3.1 million, being a sum equivalent to 10% of the Purchase Price (less the Tender Fee), payable to the Vendor's solicitors (who shall hold the same as stakeholders pending Completion) within 14 days from the Tender Acceptance Date (such sum referred to in this sub-paragraph (b), together with the Tender Fee, shall collectively be referred to as the "**Deposit**"); and
- (c) the balance of the Purchase Price shall be paid on Completion.

The Purchase Price was arrived at after taking into account factors such as the prevailing market conditions, the valuation of the Property conducted by an independent valuer for the purposes of the Proposed Acquisition, the recently transacted purchase prices of similar industrial properties within the same area as the Property, and the state of maintenance of the Property, Plant and Equipment. Please refer to paragraph 5.1(b) below for more information on the valuation of the Property.

4.2 Conditions

Completion is subject to the following conditions:

- (a) the Vendor obtaining the written in-principle approval (the “**In-Principle Approval**”) from Jurong Town Corporation (“**JTC**”) for the Vendor to sell and CESPTS to purchase the Property on terms and conditions acceptable to CESPTS; and
- (b) the Vendor obtaining written confirmation from JTC that JTC has no objection to the execution of the instrument of transfer for the transfer of the Property, or such confirmation of a similar nature (the “**JTC Confirmation**”).

4.3 Existing Tenancies

The Property will be sold subject to existing tenancies as at the date of Completion, save that any part of the Property which is vacant as at the date of Completion shall be delivered with vacant possession on Completion.

4.4 Rescission and Refund to CESPTS

The Tender contract (the “**Tender Contract**”) may be rescinded by CESPTS and the Deposit and all monies paid by CESPTS to the Vendor shall be refunded to CESPTS without any interest or deduction in the following situations:

- (a) if the terms and conditions of the In-Principle Approval are not acceptable to CESPTS;
- (b) if JTC Confirmation is not obtained by the expiry of nine (9) months from the Tender Acceptance Date or the In-Principle Approval is refused, and such event is either (i) attributable solely to the Vendor’s default; or (ii) is due to reasons other than the default of the Vendor and CESPTS;
- (c) if there is material damage to the Property and/or the Plant and Equipment occurring on or after the Tender Acceptance Date;
- (d) if CESPTS receives any unsatisfactory legal requisition reply(ies) in respect of the Property or any part thereof;
- (e) if there is any compulsory acquisition, notice of compulsory acquisition or notice of intended acquisition by the government or competent authority affecting more than 5% of the land area of the Property or any part thereof;
- (f) if there is a breach of fundamental warranties after the date of the Tender Contract and prior to Completion; or
- (g) if there is a breach of the other warranties (other than a fundamental warranty) after the date of the Tender Contract and prior to Completion, and where such breach is not remedied or not remedied to CESPTS’ satisfaction within the remedy period.

4.5 Completion

Completion shall take place on (a) the date falling three (3) months from the Tender Acceptance Date; or (b) four (4) weeks from the date of the Vendor's receipt of the JTC Confirmation, whichever is later.

5. FINANCIAL EFFECTS

5.1 Value of the Property

- (a) The book value of the Property as at 30 June 2022 (being the latest available reference date) is approximately S\$38.0 million.
- (b) CES Capital Holdings Pte. Ltd. (the holding company of CESPTS) has commissioned a valuation of the Property for the purposes of the Proposed Acquisition. Based on the valuation report dated 30 August 2022 issued by Savills Valuation and Professional Services (S) Pte Ltd (the "**Valuation Report**"), the Property was valued at S\$35.0 million as at 22 August 2022. The results of the Valuation Report were given based on the income capitalisation method, with the direct comparison method used to cross check the valuation, and taking into account factors including, amongst others, that (i) there is an enforceable and unexpired Lease term of about 20.1 years; and (ii) the Property will be sold on an "as-is where-is" basis and subject to the existing tenancies.

5.2 Pro forma financial effects of the Proposed Acquisition on the Group

FOR ILLUSTRATIVE PURPOSES ONLY: The *pro forma* financial effects of the Proposed Acquisition on the Group have been prepared based on the Company's audited consolidated financial statements for the most recently completed financial year ended 31 December 2021 ("**FY2021**"). These *pro forma* financial effects are strictly for illustrative purposes only and do not reflect the actual financial position and results of the Group after completion of the Proposed Acquisition.

(a) *Net tangible assets per share*

Assuming that Completion took place on 31 December 2021, the *pro forma* financial effects of the Proposed Acquisition on the net tangible assets ("**NTA**") per share of the Company for FY2021 would have been as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA (S\$)	734,000,000	734,000,000
Number of issued shares in the capital of the Company (excluding treasury shares) as at 31 December 2021	784,224,776	784,224,776

	Before the Proposed Acquisition	After the Proposed Acquisition
NTA per share (Singapore cents)	93.60	93.60

(b) *Earnings per share*

Assuming that Completion took place on 1 January 2021, the *pro forma* financial effects of the Proposed Acquisition on the earnings per share (“EPS”) of the Company for FY2021 would have been as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Profit/(loss) attributable to shareholders (S\$)	(31,500,000)	(29,200,000)
Weighted average number of issued shares of the Company (excluding treasury shares) as at 31 December 2021	783,418,749	783,418,749
EPS (Singapore cents)	(4.0)	(3.7)

6. RELATIVE FIGURES OF THE PROPOSED ACQUISITION UNDER CHAPTER 10 OF THE LISTING MANUAL

Based on the latest announced consolidated financial statements for the six (6) months ended 30 June 2022, the relative figures computed on the bases set out in Rule 1006 of the Listing Manual are as follows for the Proposed Acquisition:

Listing Rule	Bases	Relative Figures (%)
1006(a)	The net asset value (“NAV”) of the assets to be disposed of, compared with the Group’s NAV.	Not applicable to an acquisition of assets.
1006(b)	The net profits ⁽¹⁾ attributable to the assets to be acquired, compared with the Group’s net profits.	2.27 ⁽²⁾
1006(c)	The aggregate value of the consideration given, compared with	6.2

Listing Rule	Bases	Relative Figures (%)
	the Company's market capitalisation ⁽³⁾ based on the total number of shares in issue (excluding treasury shares).	
1006(d)	The number of equity securities to be issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as no equity securities will be issued by the Company in connection with the Proposed Acquisition.
1006(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable as the Company is not a mineral, oil and gas company.

Notes:

- (1) Net profits means profit or loss including discontinued operations that have not been disposed and before income tax and non-controlling interests.
- (2) Based on the unaudited net profit attributable to the assets to be acquired for the six (6) months ended 30 June 2022, being approximately S\$1.08 million, divided by the Group's unaudited net profit for the six (6) months ended 30 June 2022, being approximately S\$47.46 million.
- (3) Based on the Company's market capitalisation of S\$564.64 million on 7 November 2022 (being the market day preceding the Tender Acceptance Date), based on 784,224,776 issued shares (excluding treasury shares). The market capitalisation of the issuer was determined by multiplying the number of shares in issue by the weighted average price of such shares transacted on the market day preceding the Tender Acceptance Date.

As the relative figure calculated under Rule 1006(c) exceeds 5% but does not exceed 20%, the Proposed Acquisition shall constitute a "discloseable transaction" under Chapter 10 of the Listing Manual and shareholders' approval is not required.

7. INTERESTED PERSON TRANSACTION

7.1 "Entity at risk" and Interested Persons

- (a) *"Entity at risk"*: CESPTS is an "entity at risk" of the Company for the purposes of Chapter 9 of the Listing Manual.
- (b) *Interested persons*:
 - (i) Mr Gordon Tang and Mrs Celine Tang (collectively, "**GCT**") are controlling shareholders (as defined in the Listing Manual) of the Company. Mrs Celine Tang

is also the Non-Independent and Non-Executive Director and the Non-Executive Chairman of the Company; and

- (ii) Haiyi Holdings Pte. Ltd. (which is wholly-owned by GCT collectively) is a controlling shareholder of OKH, which in turn holds all the shares in the Vendor.

Accordingly, the Vendor is an associate of GCT and an interested person (both as defined in the Listing Manual).

In view of the foregoing, the Proposed Acquisition constitutes an interested person transaction of the Company for the purposes of Chapter 9 of the Listing Manual.

7.2 Rule 916(5) of the Listing Manual – Award by way of public tender

Pursuant to Rule 916(5) of the Listing Manual, in the case of the receipt of a contract awarded by way of public tender by an interested person, shareholders' approval is not required if the following conditions are satisfied:

- (a) The prices of all bids submitted is disclosed. Based on information provided by the Vendor, one (1) bid for the Property (being the bid from CESPTS) was submitted to the Vendor for the Property. Please refer to paragraph 4.1 above for the price of the bid submitted by CESPTS.
- (b) Both the listed bidder and the listed awarder have boards, the majority of whose directors are different and are not accustomed to act on the instructions of the interested person or its associates and have audit committees whose members are completely different. Both the Company (being the listed parent company of CESPTS) and OKH (being the listed parent company of the Vendor):
 - (i) have boards, the majority of whose directors are different and are not accustomed to act on the instructions of GCT or their associates; and
 - (ii) have audit committees whose members are completely different.

Accordingly, the Proposed Acquisition falls within the scope of Rule 916(5) of the Listing Manual, and shareholders' approval for the Proposed Acquisition is not required.

7.3 Rule 905(2) of the Listing Manual

As at the date of this announcement, the aggregate value of all transactions entered into with GCT and their associates during the current financial year ending 31 December 2022 ("FY2022") exceeds 3% of the Group's latest audited net tangible assets. Please see paragraph 7.5 below for the value of the interested person transactions.

7.4 Audit and Risk Committee Statement

Taking into consideration the agreed terms in the Tender Contract and the valuation of the Property, the Audit and Risk Committee is of the view that the Proposed Acquisition is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders.

Mr Lock Wai Han, being a member of the Audit and Risk Committee, and also an Executive Director and Chief Executive Officer of OKH, has abstained from the Audit and Risk Committee's determination of the matter above.

7.5 Value of Interested Person Transactions

As at the date of this announcement:

- (a) the current total of all interested person transactions with GCT and their associates for FY2022 is approximately S\$304.9 million;
- (b) approximately 99.9% of the aggregate value of all interested person transactions with GCT and their associates for FY2022 is attributable to the transactions which fall within the scope of Rule 916(2), Rule 916(3) and Rule 916(5) of the Listing Manual. The remaining value of approximately S\$229,000 is less than 5.0% of the Group's last audited net tangible assets; and
- (c) the current total of all interested person transactions of the Company for FY2022 is approximately S\$305.4 million.

8. SOURCE OF FUNDS

The Proposed Acquisition will be funded by CESPTS from a combination of internal cash sources and bank borrowings.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

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

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

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Tender Contract and the Valuation Report are available for inspection during normal business hours at the registered office of the Company at 171 Chin Swee Road, CES Centre #12-01, Singapore 169877 for a period of three (3) months from the date of this announcement.

Submitted by Chia Lee Meng Raymond, Executive Director and Group Chief Executive Officer, on 8 November 2022 to the SGX.