



**PROPOSED DISPOSAL OF THE PROPERTY AND HOTEL BUSINESS LOCATED AT 1 MARCO
POLO DRIVE, MANDURAH, WESTERN AUSTRALIA**

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 subsidiaries, CES Mandurah Hotel (WA) Pty Ltd and CES Properties (Aus) Pty Limited (collectively, the “**CES Entities**”), have today each entered into a call option deed to grant options to purchase (the “**Option**”) in respect of the following:

- (i) the strata hotel property and strata restaurant property (collectively, the “**Property**”) located at 1 Marco Polo Drive, Mandurah, Western Australia; and
 - (ii) the hotel business situated on the Property, and trading as “The Sebel Mandurah” (the “**Hotel**”, and together with the Property, the “**Sale Assets**”),
- (the “**Proposed Disposal**”).

The Option is granted to Acure Funds Management Ltd (“**AFML**”) and MF Hospitality Management Ltd (“**MFHML**”) (collectively, the “**Purchasers**”).

2. INFORMATION RELATING TO THE PURCHASERS

AFML is a trustee for a hospitality investment trust that will be established.

MFHML is a company established to operate the Hotel business to be acquired.

The Purchasers are part of the Acure Asset Management real estate funds management group which is headquartered in Perth, Western Australia. Acure Asset Management has established 16 syndicated funds since commencing in 2012 across commercial, industrial, retail, residential, tourist and the mining hospitality sectors.

3. INFORMATION RELATING TO THE SALE ASSETS

The Group acquired the Sale Assets in 2017 for an aggregate consideration of A\$15.0 million.

The Property is situated on a freehold site and has a total land area of approximately 6,712 square meters. The site houses a mixed-use strata development comprising a 7-storey strata titled building (within which the Hotel occupies five levels), a waterfront restaurant located on the strata restaurant property and high-end residential apartments.

The Hotel is a 4.5-star hotel with 84 rooms, business and conference facilities, a swimming pool, a gymnasium and a barbeque area. It is managed by AccorHotels under a hotel management agreement (the “**HMA**”).

The strata restaurant property is currently leased to a third party for the purpose of operating a restaurant (the “**Restaurant Lease**”), and will be sold subject to the lease agreement subsisting as at the date of completion of the Proposed Disposal (the “**Completion Date**”).

4. RATIONALE FOR THE PROPOSED DISPOSAL

The Group reviews its property and business portfolio from time to time to assess opportunities to unlock value. The Proposed Disposal presents an opportunity for the Group to unlock the underlying value and capitalise its investment in the Sale Assets without incurring significant additional capital investment.

The Proposed Disposal is in line with the Group's asset management strategy to recycle capital for future growth and investments. The Proposed Disposal 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.

5. KEY TERMS OF THE OPTION

(a) **Option Fee.** The total option fee for the grant of the Option is A\$0.3 million, exclusive of goods and services tax (the "**Option Fee**"). The Option Fee has been paid to, and will be held by, the solicitors of the CES Entities as stakeholder. The Option Fee will be released to the CES Entities on the Completion Date.

In the event the Option is not exercised on or before the Expiry Date (as defined below), the Option shall lapse and be of no effect and the Option Fee shall be forfeited in full and retained by the CES Entities.

(b) **Option Period.** The Option is valid for exercise up to 5.00 p.m. (Western Standard Time) on 10 February 2023, unless extended to 17 February 2023 subject to a certain condition being fulfilled by the Purchasers (the "**Expiry Date**").

(c) **Purchase Price.** The aggregate purchase price for the Sale Assets is A\$18.0 million, exclusive of goods and services tax (the "**Purchase Price**"), and is subject to customary adjustment on completion of the Proposed Disposal. The Purchase Price is inclusive of the Option Fee. The balance of the Purchase Price shall be paid by the Purchasers in the following manner:

- (i) a total deposit amount of A\$1.5 million (the "**Deposit**") will be paid to, and will be held by, the solicitors of the CES Entities as stakeholder upon exercise of the Option; and
- (ii) the remaining sum of A\$16.2 million will be paid to the CES Entities on the Completion Date.

The Purchase Price was arrived at on a willing-buyer willing-seller basis on arm's length negotiations with the Purchasers after taking into consideration, *inter alia*, various commercial factors such as the potential returns on the Sale Assets and prevailing market conditions.

The book value attributable to the Sale Assets as at 30 November 2022 is approximately A\$14.7 million.

The Purchasers will be entitled to the return of the Deposit (together with any interest accrued thereon) in the event the contracts of sale in respect of the Sale Assets (the "**Contracts of Sale**") are rescinded or terminated due to the following circumstances:

- (I) the Seller is in default under any of the Contracts of Sale;
- (II) the Seller repudiates the Contracts of Sale; or
- (III) the conditions precedent referred to in paragraph 5(d) below are not fulfilled.

Save as provided above, the Deposit (and any interest accrued thereon) shall not be refunded and will be retained by the CES Entities.

- (d) **Conditions Precedent.** Completion of the Proposed Disposal is subject to, *inter alia*, the following conditions precedent:
 - (i) approval for the transfer of the liquor licence to the relevant Purchaser; and
 - (ii) approval from the operator of the Hotel for the transfer of the relevant CES Entity's interest in the Hotel to the Purchasers, including the unitholders of the Purchasers and the respective financiers of the Purchasers.
- (e) **Novation of HMA.** A deed of novation shall be entered into amongst the operator of the Hotel, the relevant CES Entity and the relevant Purchaser to novate the HMA to such Purchaser with effect from the Completion Date.
- (f) **Assignment of Lease Agreement.** The Restaurant Lease subsisting as at the Completion Date will be assigned to the relevant Purchaser. In the meantime, the Group will have the benefit of the Restaurant Lease (including the revenue) up to and including the Completion Date.
- (g) **Completion Date.** Completion of the Proposed Disposal shall take place on the later of (i) ten (10) business days after the exercise of the Option, and (ii) seven (7) days after the satisfaction or waiver of the conditions precedent in connection with the Proposal Disposal.

6. FINANCIAL IMPACT

The Proposed Disposal, if and when completed, is not expected to have a material impact on the net tangible assets and earnings per share of the Company for the current financial year ending 31 December 2022, and barring unforeseen circumstances, is also not expected to have a material impact on the net tangible assets and earnings per share of the Company for the next financial year ending 31 December 2023.

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 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 15 December 2022 to the SGX-ST.