



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

**MANDATORY UNCONDITIONAL CASH OFFER BY UNITED OVERSEAS BANK LIMITED
FOR AND ON BEHALF OF TANG DYNASTY TREASURE PTE. LTD.
FOR ALL THE SHARES IN THE CAPITAL OF CHIP ENG SENG CORPORATION LTD.**

RESPONSES TO SGX-ST'S QUERIES

1. Introduction

- 1.1 The board of directors (the "**Board**") of Chip Eng Seng Corporation Ltd. (the "**Company**") refers to queries received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") in relation to:
- 1.1.1 the letter from Xandar Capital Pte. Ltd. (the "**IFA Letter**"), the independent financial adviser (the "**IFA**") to the directors of the Company ("**Directors**") who are considered independent for the purposes of the Offer (as defined in the IFA Letter); and
- 1.1.2 The Business Times article dated 19 January 2023 titled "*Chip Eng Seng IFA's 'fair and reasonable' finding needs to consider factors that matter most*" published in the online edition of The Business Times (the "**BT Article**").
- 1.2 The IFA Letter is set out in Appendix A of the circular dated 22 December 2022 issued by the Company (the "**Circular**") and the BT Article is available at <https://www.businesstimes.com.sg/opinion-features/chip-eng-seng-ifas-fair-and-reasonable-finding-needs-consider-factors-matter-most>.
- 1.3 Unless otherwise defined, all capitalised terms not defined herein shall have the same meanings ascribed to them in the IFA Letter.

2. SGX-ST Queries

The Company sets out below the responses of the IFA to the SGX-ST queries in relation to the IFA Letter and the BT Article:

- 2.1 ***SGX-ST Query 1: We refer to the Business Times article ("**BT Article**") titled "*Chip Eng Seng IFA's 'fair and reasonable' finding needs to consider factors that matter most*", which was published on 19 January 2023.***

Kindly address the comments and provide details to elaborate on the IFA's view that the offer price is fair and reasonable in the context of each of the issues raised about the IFA opinion in the BT Article, which had highlighted that the final offer from Tang Dynasty Treasure Pte Ltd ("**CES Offer**") of S\$0.75 per share represented a steep 43.9 per cent discount to CES's revalued net asset value (RNAV) per share and the implied P/RNAV ratio of 0.56 is below the mean and median corresponding ratios of the Private Property Transactions.

IFA's Response to SGX-ST Query 1:

Shareholders are advised to read the IFA Letter in its entirety.

While the Offer Price of S\$0.75 per Share represents a steep discount of 43.9 per cent to the Company's RNAV per Share and the implied P/RNAV ratio of 0.56 is below the mean and median corresponding ratios of the Privatisation Transactions as well as the Property Privatisation Transactions (as respectively defined on pages A-31 and A-38 of the Circular), these factors account for only two out of the eight factors identified by the IFA in its analysis of the CES Offer.

While not explicitly stated in the IFA Letter, the factors considered by the IFA are discussed in order of importance in paragraph 8 of the IFA Letter. The market performance of the Shares was ranked as the first (that is, most important) factor, followed by the financial position of the Group and then the financial performance of the Group.

Based on the market price and liquidity analysed in in paragraph 8.1 of the IFA Letter, the IFA concluded that:

- *"the trading prices of the Share can be considered as relatively fair representation of the value of the Shares"*;
- *"the Final Offer Consideration represents premia of more than 10% (specifically, between 13.1% and 50.3%) to the VWAPs of the Shares for the 24-month, 12-month, 6-month, 3-month and 1-month periods prior to and including the Holding Announcement Date which ranged between S\$0.499 and S\$0.663 per Share"*; and
- *"the share price appears to be supported by the Offer after the Offer Announcement Date"*.

When analysing the NAV of the Shares in paragraph 8.2 of the IFA Letter, the IFA compared the P/NAV implied by the Offer Shares with the trailing P/NAV of the Shares and concluded that *"the P/NAV ratio implied by the Final Offer Consideration is higher than the trailing P/NAV ratio of the Shares for the period between 18 October 2019 and the Holding Announcement Date, both dates inclusive"*.

In the same paragraph 8.2 of the IFA Letter, the IFA also highlighted that the Group has several material ongoing projects, the majority of which are at an early stage and will require material capital expenditure.

The comparison of the P/RNAV ratio implied by the CES Offer of 0.56 times against the mean and median corresponding ratios of the Privatisation Transactions as well as the Property Privatisation Transactions is set out in paragraph 8.6 of the IFA Letter, which is ranked in the bottom half of the list of factors considered by the IFA (that is, lower in the order of importance).

- 2.2 **SGX-ST Query 2:** *The IFA noted that "the valuation ratios implied by the final offer consideration are lower than the mean corresponding ratios of the privatisation transactions as well as the property privatisation transactions", but did not specify what those valuation ratios were. Please elaborate on these relevant ratios to explain why*

these considerations did not affect the IFA's view that the CES Offer is fair and reasonable.

IFA's Response to SGX-ST Query 2:

As mentioned above, the terms "Privatisation Transactions" and the "Property Privatisation Transactions" are as respectively defined on pages A-31 and A-38 of the Circular. The valuation ratios of these Privatisation Transactions and Property Privatisation Transactions are set out in pages A-36 to A-39 of the Circular.

The mean P/RNAV ratios of the Privatisation Transactions and the Property Privatisation Transactions are 1.29 times and 0.63 times respectively and are found on pages A-37 and A-39 of the Circular respectively.

The IFA compared the P/NAV ratio of the CES Offer with the Comparable Companies (as defined in paragraph 8.5 of the IFA Letter) and noted that the P/NAV ratio of the CES Offer is higher than the P/NAV ratios of the Comparable Companies.

The IFA also compared the P/RNAV of the CES Offer with the P/NAV ratios of the Comparable Companies for reference in paragraph 8.5 of the IFA Letter and noted that *"the P/RNAV ratio of the Company as implied by the Final Offer Consideration is within the range and higher than the mean and median P/NAV ratios of the Comparable Companies which have not taken into account RNAV adjustments, if any"*.

- 2.3 SGX-ST Query 3: *It was noted in the BT Article that the "IFA also acknowledged the importance of this metric (price-to-RNAV) in the report, calling the company's P/RNAV ratio "the more appropriate statistics for property development companies". In particular, it was noted, among others, "The CES offer implies a price-to-RNAV ratio of 0.56. In comparison, the mean and median comparable ratios in the privatisation of property development companies stood at 0.63 and 0.67, respectively". The IFA had made comparisons of the CES Offer P/NAV with the "Private Property Transactions" including Roxy-Pacific Holdings, SingHaiyi Group, Fragrance Group, Top Global and GYP Properties (collectively the "Relevant Companies") whose offers were all deemed to be "not fair" by their respective IFAs. Please elaborate on the IFA's view why they consider the CES offer P/RNAV of 0.56 to be fair even though this ratio is lower than the P/NAV of between 0.60 to 0.70 for the Relevant Companies which all their IFAs had deemed to be "not fair".***

IFA's Response to SGX-ST Query 3:

The IFAs of the Relevant Companies had performed their own analysis of the respective offers and arrived at their opinions based on the various factors of the respective offers and did not rely solely on the P/RNAV ratios.

The IFA also noted that all the IFAs of the Relevant Companies mentioned the low liquidity of the respective shares of the Relevant Companies. This is not the case for the Company. As mentioned in paragraphs 8.1 and 10 of the IFA Letter, *"the Shares were traded daily on 100% of the market days which the SGX-ST were open for trading. Hence, the trading prices of the Share can be considered as relatively fair representation of the value of the Shares"*.

The P/NAV or P/RNAV ratio is indeed the more appropriate statistic for property development companies. As such, the IFA has compared the P/NAV and P/RNAV ratios of the Company with the trailing P/NAV ratio of the Company based on its historical market prices (as set out in paragraph 8.2 of the IFA Letter) and against the P/NAV ratios of the Property Development Comparable Companies and Construction Comparable Companies (as set out in paragraph 8.5 of the IFA Letter).

The conclusion of the analysis in paragraphs 8.2 and 8.5 of the IFA Letter is summarised in paragraph 10 of the IFA Letter as follows:

- paragraph 10(c): *"the P/NAV ratio implied by the Final Offer Consideration is higher than the trailing P/NAV ratio of the Shares for the period between 18 October 2019 and the Holding Announcement Date, both dates inclusive"*;
- paragraph 10(d): *"while the Final Offer Consideration is at a discount to the NAV per Share, the P/NAV ratio implied by the Final Offer Consideration is higher than the P/NAV ratios of the Comparable Companies"*;
- paragraph 10(f): *"the P/E ratio of the Group (after excluding losses of the Group's education segment) is higher than the mean P/E ratios of the Comparable Companies (excluding Oxley)"*; and
- paragraph 10(g): *"the EV/EBITDA ratio of the Company as implied by the Final Offer Consideration is within the range and higher than the mean EV/EBITDA ratios of the Comparable Companies"*.

3. Responsibility Statement

3.1 The Directors (including those who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated and opinions expressed in this announcement are fair and accurate and that there are no other material facts not contained in this announcement, the omission of which would make any statement in this announcement misleading. The Directors jointly and severally accept responsibility accordingly.

3.2 Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from the Offeror and/or the IFA (including, without limitation, the Offer Document, the IFA Letter and the responses from the IFA set out in this announcement), the sole responsibility of the Directors has been to ensure, through reasonable enquiries, that such information is accurately extracted from such sources or, as the case may be, accurately reflected or reproduced herein.

BY ORDER OF THE BOARD

Chia Lee Meng Raymond
Executive Director and Group Chief Executive Officer
for and on behalf of
CHIP ENG SENG CORPORATION LTD.

26 January 2023