



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

TERMINATION OF SALE CONTRACTS RELATING TO 28 LYALL SOUTH PERTH

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 70%-held subsidiary in Australia, CES Sirona Lyall (WA) Pty Ltd (the “**JV Co**”), will commence the termination of sale contracts entered into with purchasers of units in 28 Lyall South Perth, the JV Co’s proposed mixed-use development in South Perth, Western Australia (the “**Project**”).

2. INFORMATION RELATING TO THE PROJECT

In November 2017, the Group entered into a 70:30 joint venture with Sirona Lyall Street Pty Ltd (the “**JV Partner**”) to acquire two adjoining sites located at 31 Labouchere Road and 24 Lyall Street, South Perth. The Project is located at the combined site which now bears the new address, 28 Lyall Street, South Perth (the “**Site**”). The Site has a freehold tenure and an aggregate site area of approximately 2,040 square metres. It is located in the inner-city suburb of South Perth and approximately 1.5 kilometres from Perth’s central business district as well as in close proximity to the Swan River.

The Project was meant to comprise residential apartments with a commercial podium. Since the Project was launched for sale in August 2020, approximately half of the residential units in the Project have been sold, based on expressions of interest issued and sale contracts signed. Construction of the Project has yet to commence.

3. RATIONALE FOR TERMINATION

The COVID-19 pandemic has caused disruptions to the supply chain for construction materials and labour, driving up construction costs in Western Australia rapidly and significantly. The situation is further exacerbated by the ongoing Russian-Ukraine conflict. Project financing costs have also risen significantly in the meantime.

The sale contracts entered into with the purchasers are conditional upon the JV Co engaging a builder to construct the Project on terms and conditions acceptable to the JV Co within 30 months from entering into a sale contract with a purchaser. As a result of the abovementioned factors, the JV Co has not been able to engage a builder to construct the Project on terms which are financially viable.

In view of the incremental execution and financial risks to complete the Project and there being no visibility as to when the rising costs will retreat to more normal rates, the Group and its JV Partner have concluded that it is no longer feasible to continue with the Project notwithstanding that sales of the units have been relatively encouraging. Consequently, the Group and its JV Partner have decided that the appropriate course of action for the JV Co at this juncture is to exercise its contractual right to terminate the sale contracts, to allow the purchasers a timely exit. The termination of the sale contracts involves the return in full of the deposit placed by each purchaser, together with any bank interest accrued on the deposit.

The Group and its JV Partner will explore other viable options with regard to the Site, and the Company will make an announcement as and when there is any material development.

4. FINANCIAL IMPACT

The termination of the sale contracts is not expected to have any material impact on the net tangible assets and the earnings per share of the Company for the current financial year ending 31 December 2022.

5. OTHERS

None of the Directors and, to the best knowledge of the Directors, none of the controlling and substantial shareholders of the Company has any direct or indirect interest in the Site and the Project, 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 21 July 2022 to the SGX.