



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

TRADING UPDATE AS OF 20 SEPTEMBER 2019

This statement has been prepared by Chip Eng Seng Corporation Ltd. (the "**Company**" and together with its subsidiaries, the "**Group**") in connection with the proposed renounceable underwritten rights issue (the "**Rights Issue**") of 156,503,515 new ordinary shares in the capital of the Company (the "**Rights Shares**") at an issue price of S\$0.63 for each Rights Share, details of which have been set out in the Company's announcements dated 22 August 2019 and 13 September 2019 and in the circular to shareholders of the Company dated 29 August 2019 (the "**Circular**") in relation to the Rights Issue. The information set out in this announcement covers the period from 1 July 2019 to the date of this announcement.

Property Development

While there has been an increase in sales to-date for the Group's latest residential development project, Parc Komo, no revenue from this project can be recognised as yet and at the same time, costs are being incurred to market and develop the project. The Group expects conditions in the real estate sector to remain uncertain and challenging. Accordingly, the Group will exercise caution in replenishing its land bank. The Group plans to launch its residential development at the Kampong Java site in the first half of 2020.

Construction

The Group's construction order book has declined since the second quarter of 2019 due to progressive billings for existing projects and no award of new contracts. The Group is considering augmenting its existing construction business by expanding its capabilities in the building, infrastructure, construction and construction project management business so that it can participate in a broader range of competitive construction tender projects, including civil and building infrastructure projects which are of larger scale and/or higher value. Such expansion plans include organic growth as well as through strategic acquisitions, such as acquiring other construction companies which have differentiating building and construction capabilities from that of the Group.

In this regard, the Company is currently in discussions relating to a potential acquisition (the "**Potential Acquisition**") of 100% of the issued share capital of a Singapore incorporated private company, which is principally engaged in the building, construction and construction project management business. The directors of the Company (the "**Directors**") believe that such acquisition will extend the footprint of the Group's existing construction business to among other things, building, construction and construction management businesses in respect of competitive construction tender projects in Singapore. The Group will also benefit from the target company's capability and track record, which will enhance the ability of the Group to participate in tenders for a broader range of projects, such as civil engineering and building infrastructure projects. The Potential Acquisition, if completed, will provide the Group's existing construction business with a good opportunity for horizontal integration in the construction sector.

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Potential Acquisition, other than through their respective shareholdings in the Company. **The Company will make the necessary announcement(s) as and when there are material developments in respect of the Potential Acquisition. Shareholders should note that discussions between the Company and the seller are ongoing and there is no assurance that the Company will enter into any definitive agreements in respect of the Potential Acquisition or that the Potential Acquisition will be completed.**

Hospitality

The Company expects the Group's hotels and resorts in Singapore and the Maldives to continue to benefit from growth in tourist arrivals in these two markets. The Company also expects the hospitality sector in its other key market, Australia, to continue to remain healthy. The Group will continue to actively explore opportunities to grow its hospitality business in Australia, the Maldives, Singapore and other strategic locations. It may do so through acquisitions of existing hospitality assets and businesses and/or enter into joint ventures with strategic partners to develop hospitality assets in these jurisdictions.

Education

Expenses in respect of the Group's education business are expected to increase to meet its expansion needs.

In summary:

In view of the above, the Company expects to post weaker financial results for the third quarter of 2019 compared to the corresponding period in 2018. Nevertheless and barring unforeseen circumstances, the Group is expected to remain profitable for the current financial year ending 31 December 2019. In accordance with Rule 705 of the listing manual of the Singapore Exchange Securities Trading Limited, the Company will announce its unaudited consolidated financial statements for the nine-month ended 30 September 2019 by mid-November 2019.

The Group is currently operating in a volatile economic environment. To meet the challenges ahead, the Group intends to continue to focus on its core strengths while seeking viable opportunities to strategically grow its existing businesses. The Directors intend to practise prudent management of credit, market and operational risks so as to maintain the strength of the Group's balance sheet. Following the completion of the Rights Issue, the Directors believe that the Group's financial position will be strengthened and the Group will have greater financial capacity and flexibility to capitalise on investment and expansion opportunities expeditiously.

Shareholders are advised to read this announcement and any further announcements by the Company carefully, and to exercise caution in trading their shares in the Company. The Company will make further announcements as appropriate. Shareholders should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

Submitted by Chia Lee Meng Raymond, Executive Director and Group Chief Executive Officer on 20 September 2019 to the SGX

Important Notice

Where capitalised terms are used in this announcement and not otherwise defined, such capitalised terms shall bear the same meanings as ascribed to them in the Circular.

This announcement is for information purposes only and does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to acquire, any Nil-Paid Rights or Rights Shares or to take up any entitlements to Rights Shares in any jurisdiction in which such an offer or solicitation is unlawful. No person should acquire any Nil-Paid Rights or Rights Shares except on the basis of the information contained in the offer information statement.

The information contained in this announcement should not be distributed, forwarded to or transmitted in or into any jurisdiction where to do so might constitute a violation of applicable securities laws or regulations. The issue, exercise or sale of Nil-Paid Rights and the acquisition or purchase of the Rights Shares are subject to specific legal or regulatory restrictions in certain jurisdictions. The Company assumes no responsibility in the event there is a violation by any person of such restrictions.

The distribution of this announcement, the offer information statement, the provisional allotment letters and/or the application form for Rights Shares and Excess Rights Shares into jurisdictions other than Singapore may be restricted by law. Persons into whose possession this announcement and such other documents comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This announcement contains or incorporates by reference “forward-looking statements” regarding the belief or current expectations of the Company, the Directors and other members of its senior management about the Group’s businesses and the transactions described in this statement. Generally, words such as “may”, “could”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “plan”, “seek”, “continue” or similar expressions identify forward-looking statements. These forward-looking statements are not guarantees of future performance. Rather, they are based on current views and assumptions and involve known and unknown risks, uncertainties and other factors, many of which are outside the control of the Company and are difficult to predict, that may cause actual results to differ materially from any future results or developments expressed or implied from the forward-looking statements. Such risks and uncertainties include the effects of continued or increasing volatility in international financial markets, economic conditions both internationally and in individual markets in which the Group operates, and other factors affecting the level of the Group’s business activities and the costs and availability of financing for the Group’s activities. Any forward-looking statement contained in this announcement based on past or current trends and/or activities of the Group should not be taken as a representation that such trends or activities will continue in the future. No statement herein is intended to be a profit forecast or to imply that the earnings of the Company for the current year or future years will necessarily match or exceed the historical or published earnings of the Company. In light of the ongoing turmoil in the global financial markets and its contagion effect on the economy, any forward-looking statement contained in this announcement must be considered with significant caution and reservation. Each forward-looking statement speaks only as of the date of the particular statement. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.