



CHIP ENG SENG CORPORATION LTD

Co. Reg. No. 199805196H

TOWER MELBOURNE – TERMINATION OF SALE CONTRACTS

Chip Eng Seng Corporation Ltd (the “**Company**”) wishes to announce that CES-Queen (Vic) Pty Ltd (“**CESQ**”), its wholly-owned subsidiary in Australia, which owns 100% of the property located at 150 Queen Street, Melbourne (the “**Property**”), will commence the termination of sale contracts entered into by CESQ with purchasers of units in the project to be developed on the Property (such project referred to as “**Tower Melbourne**”).

The Property was originally a commercial building and was acquired by CESQ in September 2011 for redevelopment into a 71-storey tower comprising 581 freehold residential units. However, demolition works on the Property stalled since 2013 due to objection raised by the owner of the adjoining property relating to the demolition works being carried out on the Property and the extent and nature of the measures put in place to protect the adjoining property. The progress of these disputes are disclosed in previous announcements as well as in the financial statements released by the Company. As mentioned in the Company’s financial statements for the second quarter ended 30 June 2017, while the Supreme Court in Melbourne has ruled in CESQ’s favour with regard to the Stage 2 demolition of the Property (relating to the demolition plan for the remaining building to ground level), the hearing and determination of the Stage 1 demolition (relating to the demolition plan for the lift and plant motor room) by the Building Appeals Board remain pending. As at the date of this announcement, no hearing date relating to the Stage 1 demolition has been listed while an application for leave to appeal to the Court of Appeal is underway in relation to the Supreme Court’s decision affirming the determination of the Building Appeals Board on the Stage 2 demolition.

The Company has considered the status of the legal proceedings affecting the progress of the demolition works and the impact on the timeline for the completion of Tower Melbourne. Demolition works on the Property have, as a result of the ongoing legal proceedings, come to a standstill since September 2013. Further, as the legal proceedings may still take a considerable period of time, it is also not possible for the Company to ascertain when they can be resolved with finality. In the same vein, the Company is unable to ascertain when demolition works on the Property can recommence, if at all.

While it has always been the Company’s intention to develop Tower Melbourne into an iconic residential landmark within the city of Melbourne, and notwithstanding the Company’s vigorous and relentless efforts in contesting the legal proceedings since 2013, these proceedings have nevertheless been protracted and have resulted in significant delay in the completion of Tower Melbourne. After careful assessment of the state of affairs relating to Tower Melbourne, the Company is of the view that given the indefinite delay of the project timeline, it will not be possible for CESQ to meet the contractual deadline to register the plan of subdivision. Consequently, the appropriate course of action for the Company at this juncture is to exercise its contractual right under the outstanding sales contracts to terminate (by way of rescission) all such contracts with the purchasers, which will allow the purchasers to exit the transaction earlier than if the Company were to wait until the Sunset Date to effect such termination. As at the date of this announcement, there are 556 sale contracts. While 579 units had originally been sold, CESQ has from time to time received requests from the purchasers to cancel the sale contracts (majority of which have been due to concerns over the delay), to which it has acceded. The present termination of the sale contracts involves the return in full of the deposit (comprising 10% of the purchase price of the relevant unit) placed by each Purchaser at the time of entry into the sale contract, together with the interest (if any) accrued on the deposit.

The termination of the sale contracts is not expected to have significant impact on the net tangible assets and earnings per share of the Company for the current financial year ending 31 December 2017.

The Company is concurrently exploring other viable exit options with regard to the Property, which includes offering the Property for sale.

The Company will make further announcements as and when there are any other definitive developments relating to the Tower Melbourne project.

Submitted by Hoon Tai Meng, Executive Director, on 2 November 2017 to the SGX.