



**Securities Investors Association (Singapore)**

7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111

Tel: (65) 6227 2683 Fax: (65) 6220 6614

Email: [admin@sias.org.sg](mailto:admin@sias.org.sg) [www.sias.org.sg](http://www.sias.org.sg)

UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Chip Eng Seng Corporation Ltd

**Security:** Chip Eng Seng Corporation Ltd

**Meeting details:**

Date: 24 April 2019

Time: 10.00 a.m.

Venue: Emerald Suite, Golf Clubhouse – Level II, Orchid Country Club, No. 1 Orchid Club Road, Singapore 769162

**Company Description**

Chip Eng Seng Corporation Ltd, an investment holding company, engages in the construction, property development and investment, and hospitality businesses primarily in Singapore, Australia, Malaysia, and Maldives. The company operates through Construction, Property Developments, Property Investments, Hospitality, and Corporate and Others segments. The company constructs public housing projects, condominiums, and executive condominiums, as well as industrial and commercial projects; develops residential, commercial, and industrial properties, as well as manages development projects; and provides real estate management and consultancy services. It also leases investment properties, such as shophouses, and commercial and industrial properties; operates hotels and island resort; engages in treasury functions; and invests in marketable securities. In addition, the company acts as general building contractor; manufactures and trades in precast products; and provides general building engineering services. Further, the company operates Repton-brand pre-school center in Singapore. Chip Eng Seng Corporation Ltd was incorporated in 1998 and is headquartered in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=C29](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=C29))

1. On 5 October 2018, the company announced a trading halt and disclosed that it was informed by certain shareholders that they had entered into a sale and purchase agreement with Mrs Celine Tang, whereby the shareholders will sell an aggregate of 186,105,000 shares in the capital of the company at the price of \$1.08 per share.

The shares represent approximately 29.73% of the total issued shares (excluding treasury shares) in the capital of the company.

On 8 October 2018, the company clarified that all the shareholders who sold to Mrs Celine Tang retained no shares in the company other than Lim Sock Joo (1.55% direct interest, 1.78% deemed interest) and Dawn Lim Sock Kiang (0.38% direct interest).

- (i) Did the independent directors of the board consider how the resultant shareholding might have been a deliberate attempt to avoid triggering a mandatory offer under the Singapore Code on Take-overs and Mergers (Code)?**

Under the general principles of the Code, where effective control of a company is acquired or consolidated by a person, or persons acting in concert, a general offer to all other shareholders is normally required. In addition, persons engaged in take-over or merger transactions must observe both the spirit and the precise wording of the General Principles and Rules in the Code.

- (ii) Are the independent directors familiar with the Singapore Code on Take-overs and Mergers issued by the Monetary Authority of Singapore pursuant to section 321 of the Securities and Futures Act?**
- (iii) Did the independent directors evaluate if the minority shareholders received fair and equal treatment?**

In addition, the following chart shows the price and trading volume of the company's shares in the three months leading up to the announcement.



(Source: <https://www2.sgx.com/securities/stock-screener?page=1&code=C29>)

- (iv) **Did the board review and investigate the increase in the share price and the trading volume of the company's shares in the weeks leading up to the announcement?**

2. Would the board/management provide shareholders with better clarity on the following operations and financial matters? Specifically:

- (i) **Construction:** The construction segment has slipped into losses for two years. In FY2018, segment loss amounted to \$(10.59) million, an improvement from the loss of \$(15.54) million in FY2017. In FY2015 and FY2016, the segment profits were \$27.5 million and \$19.6 million respectively. **Does the group still have its competitive edge in the construction segment? What is the reason for the sharp fall in profitability and what are management's plans to restore the segment's margin? With the cessation/retirement of the old guards who had first built up the group as builders, does the group still retain the necessary expertise and passion to carry out its construction activities? How would going into infrastructure projects help the group given that that segment is crowded as well?**
- (ii) **Education:** On 5 March 2018, the company announced its plans to diversify into the education sector. Shareholders' approval was obtained for this diversification at the Extraordinary General Meeting held on 25 April 2018. The group has moved quickly with an acquisition of 70%-equity stake in White Lodge Education Group Services Pte Ltd. and it has also secured a collaboration

agreement with Repton International Schools Ltd. There are plans to acquire a 64.4%-equity stake in Invictus International School Pte Ltd, a 35%-equity stake in an educational software company in China and up to a 75%-equity stake in an education consulting business in the United States. **Can management articulate its strategy in the education segment? How is deal sourcing carried out? How does the group select and pick the right partners? Has the board set a limit on the group's investments into the segment?**

3. The profile of Mrs Celine Tan is shown in the director's biography and an extract is reproduced below:

*Mrs Celine Tang was appointed Non-Executive Chairman and Non-Independent and Non-Executive Director of the Company on 11 October 2018. Mrs Tang is currently Group Managing Director of SGX-listed company, SingHaiyi Group Ltd. She also holds the position of Non-Executive Chairman at OKH Global Ltd, an integrated property developer focused on logistics and industrial properties, listed on the Mainboard of the Singapore Exchange.*

Given that SingHaiyi is also active in property development in Singapore, there is significant overlap with the group's activities.

- (i) Would Mrs Celine Tang be frequently put in a position where she would have conflicts of interests between SingHaiyi (where she is the Group managing director) and the company?**
- (ii) How does the company ensure that its interests are protected and that the interests of minority shareholders are taken care of? For instance, what safeguards are put in place to ensure that the sensitive commercial information, such as participation in land tenders, private treaty opportunities, is well protected? How effective can these safeguards be?**
- (iii) Even if Mrs Tang, as a conflicted director, recuse herself from certain sensitive discussion either in the company or on the board of the other company, the act of recusing oneself would still provide competitive information. How does the company mitigate such risks? Would Mrs Tang be effective as the chairman of the company?**
- (iv) Would the interests of all shareholders be better taken care of if the board appoints an independent chairman? Would the nominating committee be re-evaluating the current arrangement and make appropriate changes to the board composition?**

In addition, Mr Lock Wai Han was appointed independent director of the company on 11 October 2018. He is currently the executive director and chief executive officer of SGX-listed company, OKH Global Ltd, a company which Mrs Celine Tang is a controlling shareholder. **Can the nominating committee elaborate further on the deliberation it has had, if any, on the independence of Mr Lock Wai Han? Has the nominating**



**Securities Investors Association (Singapore)**  
7 Maxwell Road #05-03 MND Building Annexe B Singapore 069111  
Tel: (65) 6227 2683 Fax: (65) 6220 6614  
Email: admin@sias.org.sg www.sias.org.sg  
UEN No: S99SS0111B  
GST Reg No: M90367530Y

**committee considered the existing relationship between Mr Lock, as CEO of OKH Global, and Mrs Tang who is listed as a controlling shareholder of OKH Global?**

A copy of the questions for the Annual Report for the financial year ended 31 December 2017 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Chip%20Eng%20Seng%20Corporation%20Ltd&cid=6324,4559>

The company's response could be found here: -----