



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

PROPOSED INVESTMENT IN A REAL ESTATE DEVELOPMENT PROJECT IN VIETNAM – TRANCHE 1 SHARE PURCHASE

The Board of Directors of Chip Eng Seng Corporation Ltd (the “**Company**”) refers to the announcement released on 31 December 2017 (*Proposed Investment in a Real Estate Development Project in Vietnam*) and wishes to announce a further development in respect of its proposed investment in the Project. Unless otherwise defined, all capitalised terms in this announcement shall have the same definition ascribed to it in the aforementioned announcement dated 31 December 2017.

Acquisition of 25% Shareholding Interest in GL

On 13 February 2018 (the “**Tranche 1 Completion Date**”), Phu An Sinh Real Estate Investment Company Limited (“**PAS**”) purchased from Mr Hong 7,757 shares in GL (the “**Tranche 1 Shares**”), representing 25.0% of the charter capital of GL (the “**Tranche 1 Share Purchase**”). The Tranche 1 Share Purchase was effected pursuant to a share purchase agreement entered into between PAS and Mr Hong, also on 13 February 2018 (the “**Tranche 1 SPA**”).

Following the completion of the Tranche 1 Share Purchase, the shareholding structure of GL is as follows:

Shareholder	Shareholding Percentage (%)	Number of Shares Held
Mr Hong	67.5	20,950
PAS	25.0	7,757
Two individuals	7.5 (in the proportion of 4.0 and 3.5)	2,319 (in the proportion of 1,241 and 1,078 respectively)
Total	100	31,026

The salient terms in the Tranche 1 SPA are further elaborated below.

Information on, and Arrangement with, PAS

PAS is a special purpose vehicle incorporated in Vietnam whose sole purpose is to undertake the Tranche 1 Share Purchase (and all transactions ancillary thereto).

In connection with such arrangement:

- (i) the Company, through its wholly owned subsidiary, CES-Vietnam Holdings Pte. Ltd. (“**CESV**”) entered into a loan agreement with PAS pursuant to which CESV agreed to loan up to S\$10.0 million to PAS to finance PAS’ capital expenditure (which includes payment of the Tranche 1 Purchase Price (as defined below)). As of the Tranche 1 Completion Date, S\$9.0 million was drawn down. Such loan is repayable on demand by CESV. The interest rate applicable to the loan is the aggregate of SGD 12-month SIBOR and a margin of 3.0% per annum;

- (ii) the existing capital contributing members of PAS will enter into a pledge agreement with CESV wherein the entire capital contribution in PAS will be pledged to CESV. Under the pledge agreement, the existing capital contributing members of PAS will exercise all rights and powers relating to their respective portion of their capital contribution according to the instructions of CESV for so long as the pledge agreement is subsisting; and
- (iii) PAS will enter into a pledge agreement with CESV wherein all the Tranche 1 Shares will be pledged to CESV. Under the pledge arrangement, PAS will exercise all rights and powers relating to the Tranche 1 Shares according to the instructions of CESV for so long as the pledge agreement is subsisting.

Salient Terms in the Tranche 1 SPA

(i) Purchase price

The purchase price for the Tranche 1 GL Shares is VND 148,649,600,000 (approximately US\$6.6 million) (the “**Tranche 1 Purchase Price**”).

The Tranche 1 Purchase Price is derived in proportion to the indicative aggregate consideration of approximately US\$19.7 million for an aggregate 23,270 shares in GL (representing 75.0% of the charter capital of GL). The aggregate consideration of approximately US\$19.7 million was arrived at following internal evaluation.

(ii) Consequence of non-completion of the Tranche 2 Share Purchase (as defined below)

As mentioned in our announcement dated 31 December 2017, the acquisition of the aggregate 23,270 shares in GL (representing 75.0% of the charter capital of GL) will be effected via two tranches. In respect of the acquisition of the next tranche of 15,513 shares in GL representing 50.0% of the charter capital of GL (the “**Tranche 2 Share Purchase**”), it is intended that the Company (through its wholly-owned subsidiary, such subsidiary, the “**CES Subsidiary**”) will enter into a share purchase agreement with Mr Hong (the “**Tranche 2 SPA**”).

In the event the completion of the Tranche 2 Share Purchase fails to occur pursuant to the terms of the Tranche 2 SPA, PAS may, at its discretion, elect to do any of the following:

- (1) continue to hold the Tranche 1 Shares; or
- (2) acquire (or procure a person designated by it to procure) the shares to be sold pursuant to the Tranche 2 SPA on the same terms and conditions as the Tranche 2 Share Purchase or such other terms as PAS or, as the case may be, the purchasing entity may agree; or
- (3) require Mr Hong to purchase all of the Tranche 1 Shares held by PAS.

As a condition precedent for the acquisition of the Tranche 1 Shares, Mr Hong has given an undertaking to PAS and Vietlink that in such instance and in the event that PAS elects to continue to hold the Tranche 1 Shares or to require Mr Hong to purchase all of the Tranche 1 Shares held by PAS, Mr Hong will, as the sponsor of GL and on behalf of GL, repay to Vietlink in full the principal amount then outstanding under the Loan and if applicable, any accrued interest.

(iv) Key ongoing covenants by Mr Hong

For so long as PAS holds any shares in GL, Mr Hong undertakes that he will, amongst others:

- (1) within three months from the Tranche 1 Completion Date, procure the issuance of the land use rights certificate evidencing SKL’s title over the land site on which the Project is located; and
- (2) complete the acquisition of 20% of the charter capital of SKL from D5 such that he will have an effective interest of 40% of the charter capital of SKL.

Operation Agreement

On the Tranche 1 Completion Date, Mr Hong, PAS and GL further entered into an operation agreement to govern the relationship between the parties for so long as PAS is a shareholder of GL, including amongst others, the following:

- (i) the appointment in each of GL and SKL of a deputy director (the “**PAS Deputy Director**”) and a financial deputy director (the “**PAS Financial Deputy Director**”), in each case, nominated by PAS with effect from the Tranche 1 Completion Date;
- (ii) the safekeeping of the corporate seal of each of GL and SKL by a person nominated by PAS; and
- (iii) the procurement by Mr Hong, within 30 days from the Tranche 1 Completion Date, of the appointment of a person nominated by PAS to be the chief accountant of GL and SKL;

In addition, Mr Hong, as the legal representative of GL and SKL, has granted a power of attorney in favour of (1) the PAS Deputy Director to authorise such person to carry out all rights and obligations of the legal representative of GL and SKL, and (2) the PAS Financial Deputy Director to authorise such person to sign all documents and arrangements in relation to accounting and financial affairs of GL and SKL and to act as co-holder (together with the legal representative) of all bank accounts of GL and SKL.

Amendment of Loan Arrangement

On the Tranche 1 Completion Date, VietLink and GL also entered into an amendment agreement to amend the Loan Arrangement. The amendments provide, amongst others, that in the event the completion of the Tranche 2 Share Purchase fails to occur pursuant to the terms of the Tranche 2 SPA, interest shall accrue on the Loan from the drawdown date up to the date on which the Loan is fully repaid.

Others

The loan from CESV to PAS is funded from internal sources and 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 2018.

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 Tranche 1 Share Purchase.

Submitted by Hoon Tai Meng, Executive Director, on 13 February 2018 to the SGX.