



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

**PROPOSED INVESTMENT IN
GUANGZHOU YUANDA INFORMATION DEVELOPMENT CO., LTD.**

1. INTRODUCTION

The Board of Directors of Chip Eng Seng Corporation Ltd. (the “**Company**”) refers to the announcement released on 14 September 2018 (the “**14 September 2018 Announcement**”), on the Company’s proposed investment in Guangzhou Yuanda Information Development Co., Ltd (广州远大信息发展有限公司) (“**Guangzhou Yuanda**”), via a subscription of new ordinary shares representing up to 35% of the share capital (the “**CES Subscription Shares**”) in a special-purpose vehicle in the Cayman Islands, for an aggregate subscription price (the “**Subscription Price**”) of the US\$ equivalent of up to RMB 100 million (approximately US\$14.6 million) (the “**Proposed Investment**”).

Terms defined in the 14 September 2018 Announcement shall have the same meaning in this announcement, unless otherwise stated.

Guangzhou Yuanda’s principal business is education software, online K-12 education, education training and consulting services, with its current key offering being online education via mobile applications and websites, for the teaching of mathematics to primary school students. Further information on Guangzhou Yuanda and its business is given in the 14 September 2018 Announcement.

2. INCORPORATION OF SUBSIDIARY

In connection with the Proposed Investment, the Company’s wholly-owned subsidiary, CES Education Pte. Ltd. (“**CESE**”), has incorporated CES Edutech Pte. Ltd. (“**CES Edutech**”), a wholly-owned subsidiary of CESE, with an issued and paid-up capital of S\$2. The principal activity of CES Edutech is investment holding.

3. COMPLETION OF RESTRUCTURING AND ENTRY INTO SHARE SUBSCRIPTION AGREEMENT

3.1 Guangzhou Yuanda, its shareholders (the “**PRC Shareholders**”), and the founders of Guangzhou Yuanda, Mr. Wu Wei Hong and Ms. Zheng Wei Wei (collectively, the “**Founders**”), have completed the series of restructuring steps outlined in paragraph 2.1 of the 14 September 2018 Announcement.

3.2 CES Edutech has entered into a share subscription agreement (the “**SSA**”) with Zeus EduTech Group (宙思教育科技集团), an SPV incorporated in the Cayman Islands (“**Yuanda Cayman**”), in relation to the subscription of shares in Yuanda Cayman.

3.3 As at the date of this Announcement:

- (a) Yuanda Cayman and the other offshore companies reflected in the Appendix (collectively, the “**Offshore Companies**”) are wholly-owned by Ms. Zheng Wei Wei indirectly through Yondor Holding Limited (“**Yondor Holding**”), a company incorporated in the BVI as part of the restructuring process;
- (b) there has been no change to the equity interests of the PRC Shareholders in Guangzhou Yuanda as outlined in paragraphs 3.2 and 3.3 of the 14 September 2018 Announcement; and
- (c) Ms. Zheng Wei Wei holds 50.02% equity interest in Guangzhou Yuanda directly, and 24.41% interest in Guangzhou Yuanda indirectly (through the PRC Shareholders). As part of the restructuring process, Mr. Wu Wei Hong no longer holds any interest in Guangzhou Yuanda directly or indirectly. Ms. Zheng Wei Wei holds an effective interest of 74.43% in Guangzhou Yuanda.

4. PRINCIPAL TERMS OF THE PROPOSED INVESTMENT

4.1 **Closings.** Completion of the Proposed Investment will be in three tranches (each, the “**First Closing**”, “**Second Closing**” and “**Third Closing**”).

(a) First Closing: On First Closing:

- (i) the Founders, through k12china Holding Ltd, a wholly-owned company incorporated in the BVI (collectively with Yondor Holding, the “**Founder SPVs**”), shall subscribe for 444,444 new ordinary shares (of USD 0.0001 denomination) in Yuanda Cayman, resulting in the Founders holding (through the Founder SPVs) ordinary shares in Yuanda Cayman representing 65.07% of the share capital in Yuanda Cayman; and
- (ii) CES Edutech shall subscribe for 775,556 new ordinary shares (of USD 0.0001 denomination) in Yuanda Cayman, representing 34.93% of the share capital in Yuanda Cayman.

(b) Second Closing and Third Closing: The actual number of the remaining CES Subscription Shares to be subscribed by CES Edutech on Second Closing and Third Closing, shall be determined based on the level of satisfaction by Yuanda Cayman of certain key-performance indicators for the financial years ending 2019 and 2020 respectively.

4.2 **Resulting Shareholding.** On completion of the Proposed Investment and on the assumption that CES Edutech will be subscribing for the maximum number of CES Subscription Shares, it is expected that CES Edutech will hold 35% of the share capital in Yuanda Cayman, and the resulting structure is set out in the Appendix.

4.3 **Terms.** The SSA contains customary provisions, including representations and warranties, pre-completion covenants regarding the operation of Yuanda Cayman, its subsidiaries and the entities controlled by Yuanda Cayman (collectively, the “**Target Group**”), and other commercial terms.

4.4 **Conditions.** Each Closing is conditional upon the satisfaction of conditions precedent set out in the SSA, and the First Closing is expected to take place in the second quarter of 2019.

5. OTHER MATERIAL DOCUMENTS

CES Edutech has also entered into a shareholders' agreement with the Founders and the Founder SPVs, to regulate the relationship of CES Edutech and the Founder SPVs *inter se* as shareholders of Yuanda Cayman, and the conduct of the business and affairs of the Target Group.

6. FINANCIAL IMPACT

The Subscription Price was arrived at on a willing-buyer, willing-seller basis, taking into consideration, among others, the management strengths and capabilities of Guangzhou Yuanda, the Company's assessment of Guangzhou Yuanda's business (including the scalability of the business and the quality of its products and services), earnings, and prospects, as well as the potential for Guangzhou Yuanda's products and services to be complementary to the Company's other education businesses.

The Subscription Price will be funded and paid out of internal cash resources.

The Proposed Investment is not expected to have a significant impact on the net tangible assets and earnings per share of the Company for the current financial year ending 31 December 2019.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors, and to the best of the Directors' knowledge, none of the substantial shareholders of the Company, has any interest, direct or indirect, in the Proposed Investment, other than through their respective shareholdings and/or directorships, as the case may be, in the Company.

Submitted by Tan Tee How, Executive Director, on 18 April 2019 to the SGX.

APPENDIX
RESULTING STRUCTURE

