



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

---

## PROVISION OF LOAN TO DONGGUAN DUOWEI EDUCATION TECHNOLOGY CO., LTD.

---

### 1. INTRODUCTION

The Board of Directors of Chip Eng Seng Corporation Ltd. (the "**Company**") wishes to announce that its wholly-owned subsidiary, CES Education (China) Pte. Ltd. ("**CESEC**"), had today entered into a loan agreement (the "**Loan Agreement**") with Dongguan Duowei Education Technology Co., Ltd. (东莞多维教育科技有限公司) ("**Dongguan Duowei**") for the provision of a SGD 4.9 million loan to Dongguan Duowei (the "**Loan**").

The provision of the Loan is part of a larger potential investment (the "**Potential Investment**") which the Company is currently exploring with the Duowei Group (as defined below), pursuant to which CESEC or its nominee intends to enter into a joint venture with the Founders (as defined below) for a minority stake in the Duowei Group.

Further details on the Duowei Group, the Loan and the Potential Investment are set out below.

### 2. INFORMATION ON THE DUOWEI GROUP

Dongguan Duowei is a company incorporated under the laws of the People's Republic of China (the "**PRC**").

The core business of Dongguan Duowei (the "**Core Business**"), its subsidiaries, associated entities and affiliates (collectively, the "**Duowei Group**") is that of owning and operating tuition centres which provide extracurricular tutoring for elementary, junior and high school students and elementary preparatory programmes, as well as the operation of enrichment centres which offer programmes relating to science and technology, arts, dance, music and cultural activities. The other businesses of the Duowei Group currently also include the operation of private schools and kindergartens as well as ancillary businesses in relation to the centres and schools owned by it such as catering, the operation of book stores, property management and human resource management.

The Duowei Group was founded in 2010 by Mr Cai Ruming, Mr Luo Guanhua and Mr Zhang Wendu (each a "**Founder**" and collectively, the "**Founders**"). The Founders started the Core Business in Dongguan, Guangdong Province, where the Duowei Group currently owns and operates 33 tuition and enrichment centres as at the date of this announcement. The Core Business has experienced steady growth since its inception and has expanded outside of Dongguan to Huizhou in Guangdong Province, Xiangtan in Hunan Province and Shenzhen. Outside of Dongguan, the Duowei Group owns and operates 7 tuition and enrichment centres.

### 3. INFORMATION ON THE POTENTIAL INVESTMENT

- 3.1 The Company wishes to primarily invest in the Core Business and intends for CESEC or its nominee to eventually enter into a joint venture with the Founders for a minority stake in the Duowei Group.
- 3.2 Accordingly, before the Company proceeds with the Potential Investment, the Duowei Group will have to undergo a series of restructuring steps (the “**Restructuring Exercise**”) such that on completion of the Restructuring Exercise, the Duowei Group will own primarily the Core Business.
- 3.3 The terms of the Potential Investment are currently being discussed, and the Company will make further announcements as and when there are material developments in respect of the Potential Investment. Shareholders should note that save for the Loan Agreement and the Security Documents (as defined below), discussions between the Company and Dongguan Duowei in relation to the Potential Investment are still ongoing and there is no assurance that CESEC or its nominee will enter into any other definitive agreements in respect of the Potential Investment or that parties will proceed with the Potential Investment.

### 4. RATIONALE FOR THE LOAN AND THE POTENTIAL INVESTMENT

The Duowei Group has a 10-year track record in operating its Core Business in Dongguan and a few other cities in the PRC. The Company believes that there is a burgeoning demand for high-quality tuition and enrichment programmes in the PRC, and the Core Business is a highly scalable one with much room for expansion to the rest of the PRC.

The Potential Investment offers the Company an opportunity to work with a reputable local partner which has a ready Core Business that is poised for expansion. Should the Potential Investment materialise, the Company’s education business segment is able to make quicker inroads into extending its footprint across the PRC.

In addition to being able to contribute meaningfully to the funding requirements of the Duowei Group to expand the Core Business, the Company’s education segment also has a strong team of education specialists whom the Company believes will be able to value-add to the Core Business and improve the overall product.

As the Potential Investment is subject to further discussion of its terms and completion of the Restructuring Exercise, which will take time, the provision of the Loan will, in the interim, supplement the funds available to the Duowei Group capitalise on expansion opportunities that are presently available for its Core Business.

The Loan will become immediately due and repayable in accordance with the terms of the Loan Agreement on the occurrence of certain events, including the completion of the Potential Investment, or in the event the Company decides not to proceed with the Potential Investment.

### 5. PRINCIPAL TERMS OF THE LOAN AGREEMENT

- 5.1 **Loan Amount.** The principal amount of the Loan is SGD 4.9 million and bears interest at a rate of 7% per annum. The terms of the Loan were arrived at taking into consideration, among others, the Company’s current assessment of the Core Business (including its historical profitability, the scalability of the Core Business and the quality of its services), the immediate funding needs of the Duowei Group and the likelihood of the Potential Investment materialising. The Loan, when disbursed, will be funded from internal cash resources.

5.2 **Disbursement.** The Loan shall only be disbursed to Dongguan Duowei after the conditions stated in the Loan Agreement are satisfied or waived by CESEC. The key conditions include:

- (a) the approval of the shareholders of Dongguan Duowei;
- (b) all approvals, registrations, and filings necessary for or required in connection with the Loan Agreement being obtained and/or completed; and
- (c) the execution and registration of the following documents (the “**Security Documents**”):
  - (i) a deed of personal guarantee pursuant to which the Founders will jointly and severally guarantee the performance by Dongguan Duowei of its obligations under the Loan Agreement to CESEC; and
  - (ii) equity pledge agreements pursuant to which each Founder shall grant a pledge to CESEC in respect of 30% of their respective shareholdings in Dongguan Duowei.

5.3 **Term and Repayment.** The Loan is for a term of two years from the date of disbursement. The Loan will become immediately due and payable should, among other things, the completion of the Potential Investment takes place or CESEC notifies Dongguan Duowei in writing that CESEC will not be proceeding with the Potential Investment. CESEC also has the right to recall the Loan at any time by providing at least six months' prior written notice to Dongguan Duowei.

5.4 **Other terms.** The Loan Agreement contains customary provisions, including representations and warranties, negative covenants, indemnities, and other commercial terms.

## 6. **FINANCIAL IMPACT**

The provision of the Loan 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 2020.

## 7. **INTEREST 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 Loan or the Potential 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 17 March 2020 to SGX