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## PROPOSED FURTHER INVESTMENT IN AMDON CONSULTING PTE LTD

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### 1. INTRODUCTION

The Board of Directors of Chip Eng Seng Corporation Ltd. (the “**Company**”) wishes to announce that its wholly-owned subsidiary, CES Edutech Pte. Ltd. (“**CES Edutech**”) has today entered into a convertible note agreement (the “**Convertible Note**”) with its associated company, Amdon Consulting Pte Ltd (“**Amdon Consulting**”) and the other shareholders of Amdon Consulting.

As at the date of this announcement, CES Edutech has a shareholding interest of approximately 38.0% in Amdon Consulting.

Under the terms of the Convertible Note, CES Edutech and the other shareholders of Amdon Consulting (collectively, the “**Amdon Noteholders**”) have agreed to provide to Amdon Consulting an aggregate principal amount of approximately S\$1.64 million (the “**Total Investment Amount**”), of which CES Edutech will contribute approximately S\$1.35 million (the “**CES Investment Amount**”).

### 2. PRINCIPAL TERMS OF THE CONVERTIBLE NOTE

- (a) **Investment Amount.** The Total Investment Amount comprises two tranches:
- (i) an initial investment amount of approximately S\$0.94 million (the “**Initial Investment Amount**”) of which approximately S\$0.65 million will be extended by CES Edutech; and
  - (ii) a further investment amount of up to approximately S\$0.70 million (the “**Further Investment Amount**”), which will be extended solely by CES Edutech.
- (b) **Term.** The term of the Convertible Note is for 3 years from the drawdown date of the Initial Investment Amount (the “**Maturity Date**”). The Total Investment Amount then outstanding and all interest accrued thereon shall be paid to the Amdon Noteholders in full on the Maturity Date.
- (c) **Interest.** The Initial Investment Amount will bear interest at the rate of 5.2% per annum while the Further Investment Amount will bear interest at the rate of 10.0% per annum.
- (d) **Drawdown.** The Initial Investment Amount has to be drawn down in full while the Further Investment Amount may be drawn down in whole or in part. The Further Investment Amount may be drawn down only after the Initial Investment Amount has been fully drawn down and in any event, no later than the Maturity Date.
- (e) **Conversion Right.** In the event there is any investment into Amdon Consulting which exceeds a stipulated amount (such investment, a “**Qualifying Equity Financing**”), each Amdon Noteholder has the right (but not the obligation) to convert all (or part) of

its outstanding investment amount, together with all unpaid interest accrued thereon, into ordinary shares of Amdon Consulting (the “**Conversion Shares**”).

- (f) **Conversion Price.** The conversion price per Conversion Share will be pegged at a 20% discount to the lowest price per share issued pursuant to a Qualifying Equity Financing or the price of \$11.41, whichever is lower.
- (g) **Voluntary Repayment.** Amdon Consulting may, at any time before the Maturity Date, repay all or part of the Total Investment Amount then outstanding, together with all unpaid interest accrued thereon.
- (h) **Other terms.** The Convertible Note contains customary provisions, including conditions precedent for draw down, representations and warranties, undertakings, events of default and other commercial terms.

### 3. **RATIONALE FOR FURTHER INVESTMENT**

Since the Company completed its investment in Amdon Consulting in November 2019, Amdon Consulting’s online courses have established a presence in the United States of America and the People’s Republic of China.

Amdon Consulting has near-term funding requirements to, amongst others, continue to develop its product offerings to gain a competitive edge in the educational technology sector. Accordingly, Amdon Consulting had approached its shareholders with an investment plan in respect of the Convertible Note, pursuant to which each shareholder would have the right (but not the obligation) to contribute in proportion to its shareholding interest in Amdon Consulting. The shareholders of Amdon Consulting can also take up any portion declined in full or in part by another shareholder.

The terms of the Convertible Note were arrived at on a willing-buyer, willing-seller basis, taking into consideration, among others, the funding requirements of Amdon Consulting, its growth potential and expansion plans as well as the expected internal rate of return of the Amdon Noteholders.

The CES Investment Amount comprises CES Edutech’s proportion of its shareholding interest in Amdon Consulting as well as portions not taken up in full by certain other shareholders. In making available the CES Investment Amount to Amdon Consulting, the Company believes that speed is the key in the increasingly competitive educational technology sector and providing Amdon Consulting access to a greater amount of funds will facilitate the execution of its growth plans and allow it to push out its new product offerings to the market more expediently.

### 4. **FINANCIAL IMPACT**

The CES Investment Amount, if drawn down, will be funded from internal cash resources.

The provision of the CES Investment Amount to Amdon Consulting, assuming the full amount is fully drawn down in the current financial year ending 31 December 2020 (“**FY2020**”), is not expected to have a significant impact on the net tangible assets and earnings per share of the Company for FY2020.

**5. 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 provision of the CES Investment Amount to Amdon Consulting, 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 2 November 2020 to SGX