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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 “**2021 Convertible Note**”) with its associated company, Amdon Consulting Pte Ltd (“**Amdon Consulting**”), and certain other shareholders of Amdon Consulting.

In connection with the above, CES Edutech, Amdon Consulting and the other shareholders of Amdon Consulting have also entered into agreements to amend and restate (i) the convertible note agreement entered into amongst them on 2 November 2020 (the “**2020 Convertible Note**”), and (ii) the shareholders’ agreement entered into amongst them on 7 October 2019.

As at the date of this announcement, CES Edutech has a shareholding interest of approximately 42.73% in Amdon Consulting.

2. PRINCIPAL TERMS OF THE 2021 CONVERTIBLE NOTE

- (a) **Investment Amount.** CES Edutech and certain other shareholders of Amdon Consulting (collectively, the “**Amdon Noteholders**”, and each, an “**Amdon Noteholder**”) will provide to Amdon Consulting an aggregate principal amount of S\$1,000,000 (the “**Total Investment Amount**”), of which CES Edutech will contribute S\$904,132.66 (the “**CES Investment Amount**”).
- (b) **Term.** Three years from the drawdown date of the Total 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.** 10.0% per annum.
- (d) **Drawdown.** To be drawn down in full (and not in part) five business days following satisfaction of the conditions precedent. As the conditions precedent under the 2021 Convertible Note are satisfied as at the date of this announcement, the Total Investment Amount will be drawn down in full on 25 November 2021.
- (e) **Conversion Events and Conversion Price.**

| Conversion Event   | Conversion Price  |
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| In the event there is any investment into Amdon Consulting which exceeds the stipulated amount (such investment, a “ <b>Qualifying Equity Financing</b> ”), each Amdon Noteholder has the right (but not the obligation) to convert all (or part) of its | 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 S\$4.56, whichever is lower. |

| Conversion Event  | Conversion Price  |
|---|---|
| outstanding investment amount, together with all unpaid interest accrued thereon, into ordinary shares of Amdon Consulting (the “ <b>Conversion Shares</b> ”).  |   |
| In the event there is a cash decline in Amdon Consulting below the stipulated amount (such event, a “ <b>Cash Decline Conversion Event</b> ”), each Amdon Noteholder has the right (but not the obligation) to convert all (and not part only) of its outstanding investment amount, together with all unpaid interest accrued thereon, into Conversion Shares. | The conversion price per Conversion Share will be calculated using a formula based on Amdon Consulting’s annualised revenue from 1 December 2021 to 30 June 2022. |

- (f) **Drag-Along Conversion Right.** If an Amdon Noteholder holding in aggregate the highest investment amount in the 2021 Convertible Note then outstanding exercises its right to convert its entire outstanding amount pursuant to a Cash Decline Conversion Event, such Amdon Noteholder has the right to require the other Amdon Noteholders to also exercise their right of conversion (the “**Drag-Along Conversion Right**”).
- (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 2021 Convertible Note contains customary provisions, including conditions precedent for draw down, representations and warranties, undertakings, events of default and other commercial terms.

### 3. AMENDMENTS TO THE 2020 CONVERTIBLE NOTE

Amdon Consulting and the holders of the 2020 Convertible Note (including, for the avoidance of doubt, CES Edutech) have agreed to amend certain terms of the 2020 Convertible Note. The key amendments are to include:

- (a) the Cash Decline Conversion Event; and
- (b) the Drag-Along Conversion Right.

As at the date of this announcement, the total investment amount of approximately S\$1.64 million (including CES Edutech’s total investment contribution of approximately S\$1.35 million) in respect of the 2020 Convertible Note has been fully drawn down.

### 4. RATIONALE FOR FURTHER INVESTMENT

Amdon Consulting has near-term funding requirements to develop product offerings to meet the needs of the China and certain South East Asian markets. Accordingly, Amdon Consulting had approached its shareholders to raise funds by way of a convertible loan, 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 2021 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. The Company believes that the 2021 Convertible Note will facilitate Amdon Consulting's execution of its plans and allow it to push out its new product offerings to the China market in a timely manner, and hence maximising its potential.

## **5. FINANCIAL IMPACT**

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

The provision of the CES Investment Amount to Amdon Consulting 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 2021.

## **6. 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 direct or indirect interest 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 18 November 2021 to SGX