



CHIP ENG SENG CORPORATION LTD

Co. Reg. No. 199805196H

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## PROPOSED INVESTMENT IN A REAL ESTATE DEVELOPMENT PROJECT IN VIETNAM

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The Board of Directors of Chip Eng Seng Corporation Ltd (the “**Company**”) wishes to announce its proposed investment in a real estate development project known as “Soai Kinh Lam Apartment – Commerce Center” located in District 5, Ho Chi Minh City (“**HCMC**”), Vietnam (the “**Project**”). Details of the Project are elaborated below.

The investment in the Project is carried out as follows:

- (a) on 29 December 2017, the Company’s subsidiary in Vietnam, Viet Investment Link Joint Stock Company (“**VietLink**”) entered into a loan agreement with Giai Loi Investment Joint Stock Company (“**GL**”) to provide GL with a loan (the “**Loan**”) of VND423.1 billion (approximately US\$18.8 million) (the “**Loan Arrangement**”). After the entry into the loan agreement, the Loan was drawn down in full on the same day;
- (b) the Company intends to acquire from Mr Tran Vinh Hong (“**Mr Hong**”) an aggregate 23,270 shares in GL (representing 75.0% of the charter capital of GL) (the “**Proposed Vendor Sale**”); and
- (c) prior to the entry into the definitive share purchase agreements for the Proposed Vendor Sale, Mr Hong has, on 29 December 2017, granted an option to VietLink (the “**Call Option**”) pursuant to which VietLink, any other member of the Company and/or any person nominated by Vietlink has the right to, jointly or severally, exercise such option (one or multiple times) to purchase from Mr Hong up to 23,270 shares in GL (representing 75.0% of the charter capital of GL). The total consideration for all the shares subject to the Call Option is approximately US\$19.7 million. The Call Option will lapse on 29 May 2018 (being the date falling six months from the date on which the Loan is drawn down),

(collectively, the “**Transaction**”).

### Relationship amongst Mr Hong, GL and the Project

Soai Kinh Lam Construction Investment Company Limited (“**SKL**”), a company incorporated in Vietnam, currently holds the rights to develop and construct the Project. GL holds 80.0% of the charter capital of SKL while the remaining 20.0% is held by District 5 Public Service Company Limited, a state-owned company incorporated in Vietnam. SKL does not engage in any business activities other than in relation to the development and construction of the Project.

Mr Hong is the holder of 28,707 shares in GL (representing 92.5% of the charter capital of GL) while the remaining 7.5% of the shares in GL are held by two individuals (in the proportion of 4.0% and 3.5%). GL does not engage in any business activities other than as an investment holding company for its shares in SKL.

### Further Information on the Project

The Project is in relation to the development and construction of a commercial center and residential apartments for sale and/or lease on a site situated in Ward 14, District 5, HCMC, Vietnam. It is intended that two residential tower blocks of 17 and 30 levels, a five-storey commercial centre, plus

two basement levels will be built on the site. The site has a land area of 4,829 square meters, with an estimated total gross floor area of approximately 50,000 square meters. Construction of the foundation and the basement level in respect of the Project have been completed.

Upon completion of the Proposed Vendor Sale, the Company will (through its shareholding interest in GL) have an effective interest of 60.0% in the Project.

#### Information on the Loan Arrangement

The principal amount of the Loan, together with any accrued interest, is payable within six months from the date on which the Loan is drawn down. The Loan is interest-free until the Company is a shareholder of GL, upon which, interest will apply to the Loan with reference to the market rate at that time. Pursuant to the Loan Arrangement, GL is obliged to repay the Loan, together with any accrued interest, in full or in part within three business days of receipt of a payment notice from VietLink.

The proceeds from the Loan Arrangement are applied by GL towards repayment of indebtedness incurred from a bank in Vietnam for the purposes of developing the Project. Following such repayment, the security created over the Project has been released by the bank.

As security for the Loan Arrangement:

- (i) Mr Hong has pledged in favour of VietLink 23,270 shares held by him in GL (representing 75.0% of the charter capital of GL); and
- (ii) Lien Hiep Manufacture Trade Service Company Limited ("**Lien Hiep**") (of which Mr Hong owns 99.9% of the charter capital) has pledged in favor of VietLink its right to lease the seven apartments located on the eighth floor, and the six apartments located on the 17<sup>th</sup> floor, of the building known as "International Plaza" located at No. 343 Pham Ngu Lao, Pham Ngu Lao Ward, District 1, HCMC, Vietnam. Lien Hiep has the right to lease these 13 apartments for a term of 40 years, of which 28 years and 10 months of such lease are currently remaining. The rental amount for the lease of these 13 apartments for the entire 40-year term has been paid in full by Lien Hiep.

The Loan is funded from internal sources and the provision of the Loan 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 2017.

#### Information on the Proposed Vendor Sale

The Company (through its nominated purchaser(s)) intends to acquire from Mr Hong an aggregate 23,270 shares in GL (representing 75.0% of the charter capital of GL) for an indicative aggregate consideration of approximately US\$19.7 million. It is further intended that the Proposed Vendor Sale will be effected via two tranches.

Negotiations for the definitive terms and conditions in respect of the Proposed Vendor Sale are currently underway and the Proposed Vendor Sale is subject to the finalisation of the share purchase agreements.

The Company will make announcements as and when there are further definitive developments relating to the Transaction.

The Transaction presents an attractive opportunity for the Company to increase its presence in Vietnam, in particular, HCMC. The Project is situated in Soai Kinh Lam of District 5, which is also known as the Chinatown of HCMC. District 5 has a vibrant economy with a long history of housing several trading hubs in HCMC. Soai Kinh Lam is also known for its established role as a crucial distribution hub of fabrics for retailers within the city as well as the neighbouring provinces. The Company believes that it will be able to generate strong sales from the residential component of the

Project as the development will provide residents modern and improved living within the district, whilst the commercial component is well-positioned to generate strong recurring income.

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 Transaction.

Submitted by Hoon Tai Meng, Executive Director, on 31 December 2017 to the SGX.