



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

**RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED
ON THE PROPOSED INVESTMENT IN A REAL ESTATE DEVELOPMENT PROJECT IN VIETNAM**

The Board of Directors of Chip Eng Seng Corporation Ltd (the “**Company**”) refers to the Company’s announcements released on 31 December 2017 and 13 February 2018 (collectively, the “**Announcements**”) in relation to the Company’s proposed investment in a real estate development project in Vietnam.

Unless otherwise defined, all capitalised terms in this announcement shall have the same definition ascribed to it in the Announcements.

The Company would like to respond to the following queries raised by the Singapore Exchange Securities Trading Limited on 15 February 2018 as follows:

Query 1

In relation to the Company’s announcement on 13 February 2018, it was disclosed that Mr Hong will dispose of 25% of shares in GL to PAS. Mr Hong will hold a remaining 67.5% in GL after his disposal. Please explain how Mr Hong will be able to fulfill his obligation to sell 75% of the charter capital of GL to VietLink (the Company’s wholly owned subsidiary) under the Call Option as announced by the Company on 31 December 2017 as he will hold only 67.5% of the charter capital of GL.

Response to Query 1

The Company views the Call Option as a protective mechanism in connection with the Transaction as outlined in the announcement released on 31 December 2017. The Call Option is ultimately meant to ensure that VietLink, any other member of the Company and/or any person nominated by VietLink has a ready right to, jointly or severally, exercise such option to require Mr Hong to transfer to it/them his shares representing up to 75.0% of the charter capital of GL, if the Company has any reason to believe that its intended purpose of purchasing those shares is in jeopardy at any time before the definitive share purchase agreements are entered into.

Since the right under the Call Option is for up to 23,270 shares in GL (representing up to 75.0% of the charter capital of GL), the Company has the discretion to exercise the right for less than that number of shares.

Given that the Tranche 1 Share Purchase has been completed, in the event the Company does need to exercise the Call Option, the Company will only exercise the option to acquire up to 15,513 shares from Mr Hong, representing up to 50.0% of the charter capital of GL. This is in line with the intention of the Company to hold no more than 75.0% of the charter capital of GL.

Query 2

The Company disclosed that “CESV agreed to loan up to S\$10 million to PAS to finance PAS’ capital expenditure”. In relation to the arrangement with PAS, please disclose:

- (i) the existing capital contributing members of PAS and whether they are interested parties of the Company.
- (ii) the rationale why is CESV financing PAS’ purchase of Mr Hong’s 7,757 shares in GL?
- (iii) the role of PAS in the Company’s arrangement to acquire 75% of GL from Mr Hong.

Response to Query 2(i)

The existing capital contributing members of PAS are Mr Nguyen Thanh Phu and Ms Tran Thi Ngoc Lan. Apart from being engaged by the Company to act as a capital contributing member of PAS, Mr Nguyen is not related to the Company. Ms Tran is the General Director of VietLink.

Response to Query 2(ii)

Pursuant to discussions between the Company and Mr Hong, the parties had arrived at the conclusion that, for commercial reasons, it would be expedient to incorporate PAS with the sole purpose of undertaking the Tranche 1 Share Purchase. As PAS is a newly incorporated company with no operating income, the financing of the Tranche 1 Share Purchase was thus provided by the Company (through CESV), as the originator of the Transaction.

Response to Query 2(iii)

Per the response to Query 2(ii) above, the role of PAS will be to hold the Tranche 1 Shares until such time when the Company directs PAS to transfer the Tranche 1 Shares to it or its subsidiary. It is expected that such transfer will take place by 30 September 2018.

Query 3

The Company disclosed that “CESV agreed to loan up to S\$10 million to PAS to finance PAS’ capital expenditure (which includes payment of the Tranche 1 Purchase Price (as defined below)).” Please elaborate if the loan is over and above the VND423.1 billion (US\$18.8 million) Loan from VietLink to GL as announced on 31 December 2017.

Response to Query 3

Yes, the S\$10.0 million loan to PAS is over and above the US\$18.8 million loan from VietLink to GL.

The Company wishes to highlight that the two loans were granted for different purposes. The purpose of the loan from Vietlink to GL (being the first leg of the Transaction) was for GL to repay previous indebtedness incurred for the development of the Project and consequent on such repayment, the security created over the Project was released. The loan to PAS was primarily for the Tranche 1 Share Purchase (being the second leg of the Transaction), which amount will have to be disbursed by the Company in any event had the Company undertaken the Tranche 1 Share Purchase.

Query 4

In relation to disclosure under “(iv) Key ongoing covenants by Mr Hong”, please elaborate on the following:

- (i) How is Mr Hong’s effective interest of 40% of the charter capital of SKL calculated?
- (ii) What will be Mr Hong’s deemed interest in SKL after his acquisition of 20% of the charter capital of SKL?

Response to Query 4(i)

As stated in the Company’s announcement released on 31 December 2017, GL holds 80.0% of the charter capital of SKL while the remaining 20.0% (the “**D5 Interest**”) is held by District 5 Public Service Company Limited (“**D5**”), a state-owned company incorporated in Vietnam.

The Company wishes to clarify that the calculation of Mr Hong’s effective interest of 40.0% of the charter capital of SKL is premised on the completion of the Tranche 2 Share Purchase and in the event that Mr Hong acquires the aggregate 7.5% of the shares in GL currently held by the two individual shareholders. Under such circumstances, Mr Hong will hold 25.0% of the shares in GL, which will in turn give him an effective interest of 20.0% of the charter capital of SKL. Upon completion by Mr Hong of the acquisition of the D5 Interest, Mr Hong will have a direct 20.0% interest

in SKL. Coupled with his effective interest through his 25.0% shareholding interest in GL, Mr Hong will thus have an aggregate effective interest of 40.0% of the charter capital of SKL.

It is expected that the acquisition of the D5 Interest by Mr Hong will take place only after the Tranche 2 Share Purchase is completed, and in any event by 30 September 2018.

Response to Query 4(ii)

Please refer to the response to Query 4(i).

Query 5

In relation to the "Operation Agreement", please:

- (i) Disclose how many directors of the Company will be appointed to the Board of Directors ("BOD") of GL and SKL and the total size of each of the BOD of GL and SKL after Vietlink/CESV's appointment.
- (ii) Will the Company have control over GL and SKL after VietLink exercises their Call Option?

Response to Query 5(i)

Upon completion of the Tranche 2 Share Purchase, it is intended that the Board of Members of GL, being the decision making body of GL, will have five members, comprising three representatives nominated by the Company and two representatives nominated by Mr Hong.

It is further intended that with effect from the date on which Mr Hong has acquired the D5 Interest or on 30 September 2018 (whichever is earlier), the members' council of SKL, being the decision making body of SKL, will have up to three members, comprising (i) a representative nominated by the Company to represent the Company's 60.0% effective interest in SKL, (ii) Mr Hong, to represent his 20.0% effective interest in SKL through GL and (in the event where the acquisition of the D5 Interest is completed) his 20.0% direct interest in SKL, and (iii) in the event where the acquisition of the D5 Interest by Mr Hong is not completed, a representative nominated by D5 to represent D5's 20.0% interest in SKL.

Response to Query 5(ii)

The Company will exercise the Call Option only under the circumstances as explained in Query 1.

The Company is in the process of negotiating the Tranche 2 SPA and assuming the conditions precedent to the Tranche 2 SPA are satisfied and the Tranche 2 Share Purchase can proceed to completion, the Company will have control over GL and SKL via its 75.0% shareholding interest in GL.

The Company will make further announcements as and when there are definitive developments in relation to the Tranche 2 Share Purchase.

Submitted by Hoon Tai Meng, Executive Director, on 22 February 2018 to the SGX.