



PROPOSED INVESTMENT IN AMERICAN SCHOLAR GROUP, INC.

1. INTRODUCTION

The Board wishes to announce its proposed investment into American Scholar Group, Inc. ("**ASG**"), a company incorporated in Pennsylvania, the United States of America ("**USA**" or "**US**"), which provides education-related services (the "**ASG Investment**"). Further details relating to ASG's business are set out below.

The ASG Investment will allow the Company to acquire up to 75% of the issued and outstanding capital stock of ASG (on an Enlarged Basis¹) for an aggregate investment amount of US\$1.5 million, and will be carried out as follows:

- (a) on 21 May 2018, CES ASG Pte. Ltd. ("**CESA**") entered into an agreement with ASG (the "**ASG Agreement**") to grant an unsecured convertible loan amounting to US\$500,000 to ASG (the "**Convertible Loan**"). After the entry into the ASG Agreement, the Convertible Loan was disbursed in one lump sum to ASG;
- (b) under the ASG Agreement, ASG also grants to CESA an option to subscribe for new shares in the common stock of ASG ("**Common Stock**"), at the aggregate subscription price of US\$1,000,000; and
- (c) the founders of ASG, David HO Voon Way and NG Ching Ching, have provided a joint and several guarantee in favour of CESA to guarantee the due performance of the obligations of ASG under the ASG Agreement.

2. INCORPORATION OF A SUBSIDIARY

The Company's wholly-owned subsidiary, CES Education Pte. Ltd. ("**CESE**"), had on 18 May 2018, incorporated CESA in Singapore as a wholly-owned subsidiary of CESE, for the purpose of the ASG Investment. CESA has an issued and paid-up capital of S\$2.00 (the "**Incorporation**").

3. INFORMATION ON ASG AND RATIONALE FOR THE ASG INVESTMENT

ASG is a full-service education consulting organisation established since 2010, dedicated to facilitating study-in-America opportunities and cross-cultural experiences for international students and educators. ASG places international students into ASG's partner schools and provides the students with all the necessary social and academic support services, including housing; transportation; dining services; tutoring and English language support classes; academic and university admissions advising; and extra-curricular activities. ASG programmes include full-time and short-term study programmes, US curricula licensing programmes for international schools, and teachers' training programmes for effective delivery of US curricula.

Based in western Pennsylvania and eastern Ohio, ASG's partner schools, tutoring and housing facilities are located across Greenville, Pennsylvania; Hermitage, Pennsylvania; Struthers, Ohio; and Youngstown, Ohio. ASG's partner schools include K-12 schools (including middle schools and high schools), colleges and universities.

ASG provides international students with a personalised student support system designed to help them maximise their academic opportunities. ASG students receive English language development classes catered for different standards and proficiencies; standardised test prep classes for SAT, ACT, and TOEFL; weekly subject tutoring and homework assistance by qualified tutors; and regular one-to-one meetings with academic advisors to review academic progress, address ongoing issues and develop roadmaps to help the student achieve his/her goals and objectives. ASG also ensures that parents stay involved in their children's academic life, as they are provided with monthly updates about their children's progress, via newsletters, progress reports and Skype meetings with ASG's academic support staff.

The ASG Investment is further to the Company's diversification into the education sector and presents an opportunity for the Company to expand the scope of its education business. The Company recognises ASG's years of experience in providing full-service education consulting services, which has helped many international students gain access to education opportunities in the USA, and smoothened their transition and integration into a new environment and culture which may be unfamiliar to them.

The Company seeks to leverage on ASG's expertise in education consulting services, which would, if the opportunity so arises, allow the Company to, either on its own or in conjunction with other business partners, provide similar services in the Asia Pacific region, the broader region and worldwide.

4. PRINCIPAL TERMS OF THE ASG AGREEMENT

4.1 Convertible Loan

Pursuant to the terms of the ASG Agreement:

- (a) CESA grants to ASG, a loan of the principal amount of US\$500,000 (advanced by CESA to ASG in one (1) lump sum on the date of the ASG Agreement), bearing interest at the rate of 7% per annum, which loan shall be convertible at the option of CESA ("**Conversion Right**") into 3,357 fully-paid new shares of Common Stock ("**New Common Stock**") to be issued by ASG, at a conversion price in the aggregate of US\$500,000;
- (b) the Convertible Loan shall be for an initial term of 36 months commencing from the date of the ASG Agreement, and unless the Convertible Loan is fully converted into New Common Stock, ASG shall repay the outstanding principal amount of the Convertible Loan and all accrued interest thereon in full to CESA on 21 May 2021 (the "**Due Date**"); and
- (c) the Conversion Right is exercisable by CESA, in whole, anytime from the date of the ASG Agreement up to the Due Date (both dates inclusive), by giving written notice to ASG.

4.2 Subscription Option

- (a) Pursuant to the terms of the ASG Agreement, ASG grants to CESA an option (the "**Subscription Option**") to subscribe for up to 26,853 shares of New Common Stock (the "**Option Stock**"), at the aggregate subscription price of US\$1,000,000 (the "**Aggregate Subscription Price**"). The Subscription Option is exercisable by CESA, in whole or in part, at its sole discretion, at any time during the period from the date of the ASG Agreement up to the Due Date (both dates inclusive) (the "**Exercise Period**"), by giving written notice to ASG. For the avoidance of doubt, so long as CESA has not exercised its Subscription Option over all the Option Stock,

the Subscription Option shall remain capable of being exercised by CESA over such Option Stock unsubscribed during the Exercise Period.

- (b) The subscription price for any exercise of the Subscription Option shall be determined by (a) the Aggregate Subscription Price divided by the total number of Option Stock, and (b) multiplied by the number of shares of New Common Stock subscribed pursuant to such exercise of the Subscription Option (rounded to the nearest two decimal places).

4.3 Termination

The ASG Agreement shall automatically terminate upon the principal amount and accrued interest of the Convertible Loan having been fully repaid or the expiry date of the Subscription Option, whichever is later.

As of the date of this announcement, CESA has not exercised the Conversion Right or the Subscription Option and therefore, does not yet hold any shares in ASG. In the event that CESA exercises the Conversion Right and Subscription Option fully, CESA shall hold 30,210 shares of Common Stock, representing 75% of the issued and outstanding capital stock of ASG (on an Enlarged Basis¹).

5. **OTHERS**

The Convertible Loan is funded from the Company's internal resources. The Incorporation and the ASG Investment 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 2018.

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 ASG Investment.

Submitted by Tan Tee How, Executive Director, on 21 May 2018 to the SGX.

¹ "Enlarged Basis" means the enlarged issued and outstanding capital stock of ASG, taking into account the capitalisation of outstanding loans from NG Ching Ching (the "Stock Capitalisation") amounting to an aggregate of US\$807,000 for 8,070 shares of Common Stock in ASG (which shall take place by 31 May 2018) and the full exercise of the Conversion Right and the Subscription Option.