



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

TERMINATION OF CONTRACT OF SALE RELATING TO THE PROPOSED ACQUISITION OF CHILDCARE CENTRE BUSINESS IN TARNEIT, VICTORIA, AUSTRALIA AND COMMENCEMENT OF LEGAL PROCEEDINGS

1. INTRODUCTION

The Board of Directors of Chip Eng Seng Corporation Ltd. (the "**Company**") refers to the announcement released on 1 August 2019 (*Proposed Acquisition of Childcare Centre Business in Tarneit, Victoria, Australia*) (the "**1 August 2019 Announcement**"), in relation to the proposed acquisition (the "**Proposed Acquisition**") by the Company's wholly-owned subsidiary, Penn Junior Tarneit West (Vic) Pty Ltd (formerly known as CES Tarneit West (Vic) Pty Ltd) ("**Penn Junior TW**") of a childcare centre business (the "**Business**") from Tarneit West Childcare Pty Ltd (as trustee of the Tarneit West Childcare Unit Trust) (the "**Vendor**").

Unless otherwise stated, terms defined in the 1 August 2019 Announcement shall have the same meaning in this announcement.

2. TERMINATION OF CONTRACT OF SALE AND COMMENCEMENT OF LEGAL PROCEEDINGS

Pursuant to the Contract of Sale:

- (a) two (2) individuals, Aditya Singh and Tashika Setia (Singh) (collectively, the "**Guarantors**") have jointly and severally guaranteed the performance by the Vendor of its obligations;
- (b) a deposit of A\$350,000 (the "**Deposit**"), representing 10% of the purchase price for the Business (the "**Purchase Price**"), was paid by Penn Junior TW to the Vendor's solicitors and held on trust pending completion of the Proposed Acquisition ("**Completion**");
- (c) Completion is subject to certain conditions (the "**Conditions Precedent**"), including Penn Junior TW obtaining the relevant licenses, approvals and permits required to operate the Business; and
- (d) if the Conditions Precedent are not satisfied or waived by 1 April 2020 (the "**Long-Stop Date**"), being the long-stop date stipulated in the Contract of Sale (as extended by mutual agreement on 26 November 2019), the Contract of Sale would terminate automatically on the Long-Stop Date and the Vendor must cause the Deposit to be refunded immediately to Penn Junior TW.

On the Long-Stop Date, Penn Junior TW asserted that the Conditions Precedent relating to the Victorian Department of Education and Training's approval for kindergarten funding had not been fulfilled or waived. As Penn Junior TW further indicated to the Vendor that it is still keen to acquire the Business provided the Conditions Precedent are satisfied, Penn Junior TW has endeavoured to engage the Vendor in discussions for an amicable solution, including a further extended long-stop date for Completion.

However, based on a series of correspondences received from the Vendor's solicitors, the Vendor claims that:

- (i) all Conditions Precedent have been satisfied prior to the Long-Stop Date; and

- (ii) Penn Junior TW's failure to effect Completion notwithstanding receipt of a notice of default from the Vendor has resulted in the termination of the Contract of Sale and the Vendor's solicitors being entitled to release the Deposit to the Vendor,

(collectively, the "**Vendor's Claims**").

Penn Junior TW disputes the Vendor's Claims and takes the position that as not all the Conditions Precedent had been satisfied by the Long-Stop Date and the Conditions Precedent were not at any time waived, the Deposit shall be refunded to Penn Junior TW.

On 26 May 2020, the Vendor's solicitors had informed Penn Junior TW's solicitors that the Deposit will not be refunded to Penn Junior TW. As such, Penn Junior TW has, through its solicitors, commenced legal proceedings in the Supreme Court of Victoria against the Vendor and the Guarantors on 27 May 2020 for a refund of the Deposit (the "**Legal Proceedings**").

For the avoidance of doubt, save for the Deposit, the balance of the Purchase Price has not been paid to the Vendor as Completion did not take place.

The Company will make an appropriate announcement in the event of material developments. In the meantime, shareholders are advised to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bankers, solicitors, accountants or other professional advisors.

3. FINANCIAL IMPACT

The commencement of the Legal Proceedings 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 2020.

4. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

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 Proposed Acquisition.

Submitted by Tan Tee How, Executive Director, on 27 May 2020 to the SGX.