



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

**ANNUAL GENERAL MEETING TO BE HELD ON 29 MAY 2020
RESPONSES TO SUBSTANTIAL AND RELEVANT QUESTIONS**

The Board of Directors of Chip Eng Seng Corporation Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the announcement released by the Company on 6 May 2020 relating to the details of the Company’s annual general meeting to be held by electronic means on 29 May 2020 at 10.00 a.m.

As mentioned in the said announcement, the Company will endeavor to address substantial and relevant questions relating to the resolutions to be tabled for approval at the annual general meeting or the Company’s businesses and operations, which are submitted no later than 10.00 a.m. on 26 May 2020.

The Company would like to thank all shareholders who have submitted their questions by the submission deadline. The responses to the substantial and relevant questions received by the Company are set out in the Appendix to this announcement.

The Company notes that it has received several questions relating to the impact of the COVID-19 pandemic on the Group’s businesses. Please refer to the announcement released by the Company on 28 May 2020 (“*Impact of COVID-19 Pandemic on the Group’s Businesses and Profit Guidance for the First Half-Year Ending 30 June 2020*”) (the “**Business Update Announcement**”) which would address such queries.

Submitted by Chia Lee Meng Raymond, Executive Director and Group Chief Executive Officer, on 28 May 2020 to the SGX.

Questions relating to the Property Development Business:

- 1) Please provide an update on the latest sales figures for Kopar at Newton.
- 2) Please comment on the profit margin for Kopar at Newton. Is it much better than the Group's recent projects, such as Park Colonial and Parc Komo?
- 3) In view of the current COVID-19 environment, what are Management's plans for marketing its projects?
- 4) Can the Company pass on any increased costs of its development projects to the homeowners?

Responses:

Please refer to the Business Update Announcement for updates on sales of the Group's property development projects.

As mentioned in the Business Update Announcement, the Group has implemented digital marketing tools which enable virtual showflat viewing and online sales.

The Group considers information relating to the profit margin for its projects to be commercially sensitive. Accordingly, the Group will not disclose such information.

The sale contracts which the Group enters into with the property buyers are on a fixed-price basis and the Group will not be able to pass on any increased development costs to such buyers. If the Group has to bear any increased development costs that are not budgeted for, the profit margin for such project will correspondingly be reduced.

Questions relating to the Construction Business:

- 1) Singapore's Minister for National Development, Mr Lawrence Wong, recently mentioned that construction costs will increase as a result of safe distancing requirements. Will the Company be able to pass on any increased costs of its construction projects to the employer? If not, what is the impact on the Company?
- 2) The progress of construction projects is expected to be delayed due to circuit breaker measures. Would the Group's current projects still be able to complete on schedule? What is the expected duration of delay and what is the impact to the Company's profit margin? Will the Company face any claims for liquidated damages?
- 3) Please justify the price at which the Group acquired Sembcorp Design and Construction Pte. Ltd., which is about two times the enterprise value of S\$26 million attributed by the Group.

Responses:

The Group's construction projects were tendered based on a fixed-price model. Accordingly, if the Group incurs additional costs in relation to its projects, it will not be able to pass on the costs to the employer. By the same token, where the Group has sub-contracted certain works to other parties, such sub-contract arrangements are generally also based on a fixed-price model and the sub-contractor will have to bear any additional costs incurred by them.

Please refer to the Business Update Announcement for the impact of COVID-19 on the Group's construction projects. Reliefs provided by the Singapore Government in the form of rebates, waiver of foreign worker levies and wage support have helped defray part of the Group's fixed costs during the circuit breaker period.

With regard to the Group's acquisition of Sembcorp Design and Construction Pte. Ltd. (now renamed as CES_SDC Pte Ltd ("**CES_SDC**")), the final consideration of \$50.1 million was determined after taking into consideration the enterprise value of \$26.0 million attributable to CES_SDC's business and certain agreed adjustments (including the amount of retained cash in CES_SDC).

Questions relating to the Hospitality Business:

- 1) Would the Company still want to increase its presence in the Maldives, which is a challenging market with falling demand?
- 2) For the past few years, profitability of hospitality segment is not great. Would Management share more light on hospitality segment?

Responses:

While hotel occupancy rates in the Maldives have been adversely affected by the COVID-19 pandemic, Maldives remains a key geographical location for the Group's hospitality business segment. The Group believes that Maldives will continue to attract tourists when border control measures and travel restrictions imposed to counteract the spread of COVID-19 eventually ease. Nevertheless, as part of the Group's efforts to conserve its cashflow, the Group (together with its 30% joint venture partner) has decided to defer reclamation and construction works of the recently acquired Samarafushi Lagoon in the Maldives till 2021.

The results of the hospitality segment as stated in the Group's financial results announcements reflect the contribution from the hotel business but do not take into account the capital appreciation of the underlying real estate. As and when the right opportunity presents itself, the Group will consider disposing its hotel properties to realise capital gains.

Questions relating to the Education Business:

- 1) How does the Group intend to shape up its education business?
- 2) What is the Group's current strategy for its education business?
- 3) Does the Group intend to focus on any specific segment (e.g. primary level) or geographical areas (e.g. Singapore and Malaysia)?
- 4) Can Management explain the loss recorded by the education segment?

Responses:

The Group's strategy for its education business is to provide good quality education services and programmes by leveraging on key brands, collaborations with reputable partners and harnessing digital technology.

Proprietary Brands

The Group has a 70% interest in White Lodge Education Group Services Pte. Ltd. ("**White Lodge**") which operates a chain of pre-school centres. White Lodge currently owns eight centres in Singapore and three centres in Kuala Lumpur, Malaysia.

In April 2019, the Group invested in Invictus International School Pte. Ltd. ("**Invictus Internatonal**") and has since increased its effective interest from 45.25% to 70.06%. The Invictus-branded schools cater to the mid-market segment, which is a fast-growing market. From operating only one Invictus-branded international primary school in Singapore at the point of the Group's initial investment, Invictus International has since extended its presence in Hong Kong and Cambodia.

In Singapore, Invictus International currently operates its international primary school in two locations – Dempsey and Sentosa Island. Invictus International has also secured a lease in Centrium Square (Serangoon Road) for the operation of its Invictus-branded campus which will comprise an elementary, middle and high school. In Hong Kong, Invictus International has commenced operations of its kindergarten and international primary school at its Tseung Kwan O premises. Subject to grant of regulatory approval, Invictus International intends to commence operations of its secondary school, which will offer international school education for students from Year 7 to Year 13, at its Tai Tam premises in Hong Kong, sometime in 2021. In Cambodia, Invictus International intends to commence operations of its Invictus-branded campus in Phnom Penh, which will comprise an elementary, middle and high school. The Group is considering Malaysia and the People's Republic of China ("**PRC**") as the potential markets to next extend its footprint of Invictus-branded schools.

In the PRC, the Group has been offering enrichment programmes for the English language for pre-schoolers since December 2019. The programmes are offered through enrichment centres known as “William Penn Academy” and the Group currently operates two such centres in Shanghai.

White Lodge and Invictus International have been the key contributors to the revenue of the Group’s education business segment.

Partnerships

To capture market share in the premium education segment, the Group has entered into collaborations with two reputable and longstanding British branded schools.

In 2018, the Group entered into a collaboration with Repton International Schools Ltd (“**Repton International**”) to establish a chain of premium international kindergartens in certain countries within the Asia Pacific region under the “Repton School” brand name. The Group currently has two Repton-brand kindergartens in Singapore.

The Group acquired Excelsior International School in Johor Bahru in December 2019 and as part of its acquisition strategy, the Group intends to rebrand the school under the “Repton School” name. To this end, the Group has entered into a non-binding memorandum of understanding with Repton International to collaborate on the rebranding and negotiations are currently underway for parties to enter into a definitive agreement. Excelsior International School currently offers classes from kindergarten to grade 12 (high school) and the rebranded school will continue to do so. Subject to the entry into a definitive agreement with Repton International and the grant of regulatory approval for the rebranding, the Group intends to operate the rebranded school from the next academic year commencing September 2020.

In 2019, the Group entered into a collaboration with The Perse School Cambridge International Limited for the establishment of an elementary school in Singapore, the ethos of which will reflect that of The Perse School in Cambridge, United Kingdom. Pursuant to the collaboration, the Group has commenced operations of The Perse School Singapore in January 2020.

Investments in Education Technology

To complement the Group’s education services and programmes offered in conventional brick-and-mortar settings, the Group has invested in educational technology companies that will provide synergistic opportunities to achieve growth in a key education sector. In particular, the recent closure of schools and enrichment centres due to the COVID-19 pandemic has thrown the spotlight on the need for the education sector to be able quickly harness digital technology to minimise disruption to the learning process.

To date, the Group has invested in the following companies:

- Guangzhou Yuanda Information Development Co., Ltd. (“**Guangzhou Yuanda**”), a company incorporated in the PRC. Guangzhou Yuanda’s businesses are based in the PRC and its current key offering is online education via mobile applications and websites, for the teaching of mathematics to primary school students, which is supported by its in-house technology, marketing and service teams;
- Amdon Consulting Pte. Ltd. (“**Amdon**”), a company incorporated in Singapore. Amdon, together with its subsidiaries, is a provider of interactive content and inquiry-based pedagogical resources, especially in science and technology. Amdon’s key focus is on the development of inquiry-based STEM (Science-Technology-Engineering-Mathematics) educational programmes; and
- Cybint International Pte. Ltd. (“**Cybint**”), a company incorporated in Singapore with its businesses primarily based in Israel. Cybint, together with its subsidiaries, provides a cybersecurity education platform which delivers skills-based training to organisations and education institutions, with the aim of training users to develop skills against emerging cybersecurity threats.

As the education business segment has been in rapid expansion mode since its inception in April 2018, it is inevitable that this segment has incurred higher capital expenditure as well as costs and expenses, which in aggregate exceed the revenue contribution from this segment. With respect to centres/schools that the Group is establishing from scratch (as opposed to acquiring existing centres/schools with students already enrolled), the Group expects that it may, subject to market conditions, take several years from the time of commencement of operations of the new centre/school in order for the centre/school to generate positive cashflow and become profitable. The segment loss recorded for the Group's education business in the financial year ended 31 December 2019 has thus been primarily due to:

- (a) acquisition costs associated with the Group's investments and acquisitions in education-related companies and businesses;
- (b) operating costs incurred to recruit and maintain a team of personnel experienced in the education sector; and
- (c) costs and expenses incurred for establishing preschool centres and schools from scratch.