



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

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## INTERESTED PERSON TRANSACTIONS

### ENTRY INTO AGREEMENTS RELATING TO A JOINT VENTURE WITH ARIVA HOSPITALITY PTE. LTD.

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#### 1. INTRODUCTION

The Board of Directors of Chip Eng Seng Corporation Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that its wholly-owned subsidiary, CES Hospitality Pte. Ltd. (“**CESH**”), has today entered into a joint venture with Ariva Hospitality Pte. Ltd. (“**AH**”, and together with “**CESH**”, the “**JV Partners**”) to primarily undertake the business of the provision of management services to hotels and serviced residences and in connection with the foregoing, the provision of technical consultancy and advisory services to the owners of such hotels and serviced residences, marketing services for such hotels and serviced residences and training for staff who are hired to manage the day to day operations of such hotels and serviced residences (the “**Joint Venture**”).

The Joint Venture will be through a joint venture company, CES-Ariva Hospitality Pte. Ltd. (the “**JVCo**”). As at the date of this announcement, CESH is the sole shareholder of the JVCo, holding 350,000 ordinary shares in the JVCo. CESH has contributed S\$350,000 to the Joint Venture and, under the terms of the Joint Venture Agreement (as defined below), AH will contribute S\$150,000 to the Joint Venture within 30 days from the date of the Joint Venture Agreement by subscribing for 150,000 new ordinary shares in the JVCo. After the allotment and issue of such new ordinary shares to AH, CESH will hold 70% of the issued and paid-up share capital in the JVCo, while AH will hold the remaining 30%.

#### 2. ENTRY INTO AGREEMENTS RELATING TO THE JOINT VENTURE

The following agreements have been entered into today in connection with the Joint Venture:

(a) Joint Venture Agreement

CESH has entered into a joint venture agreement with AH and the JVCo (the “**Joint Venture Agreement**”) to regulate the affairs of the JVCo and the respective rights of the JV Partners (as shareholders of the JVCo), on the terms and subject to the conditions of the Joint Venture Agreement.

Pursuant to the terms of the Joint Venture Agreement, the rights and obligations of the JV Partners in the Joint Venture relating to shareholder funding obligations are to be borne by each of them in their respective shareholding percentages in the JVCo.

(b) Shareholders’ Loan Agreement

CESH has entered into a shareholders’ loan agreement with AH and the JVCo (the “**Shareholders’ Loan Agreement**”), pursuant to which the JV Partners have agreed to collectively make available to the JVCo a loan facility in an aggregate principal amount of up to S\$10 million (the “**Loan Facility**”). Each shareholders’ loan to be drawn down under the Loan

Facility (each, a “**Shareholders’ Loan**”) shall be provided by the JV Partners according to their respective shareholding percentages in the JVCo.

The JVCo is entitled to request to draw down from the Loan Facility during the period commencing from the date of the Shareholders’ Loan Agreement and ending on the earlier of (a) the date on which the Loan Facility is fully drawn down, or (b) the date of termination of the Joint Venture Agreement.

The rationale for the provision of the Loan Facility is to fund the working capital requirements of the JVCo.

As at the date of this announcement, no Shareholders’ Loan has been drawn down under the Loan Facility.

(c) Corporate Services Agreement

CESH has entered into a corporate services agreement with the JVCo (the “**Corporate Services Agreement**”), pursuant to which the JVCo has appointed CESH as the corporate services manager to provide certain administrative support, accounting, human resources and information technology services to the JVCo, on and subject to the terms and conditions of the Corporate Services Agreement.

Under the terms of the Corporate Services Agreement, the JVCo has agreed to pay CESH a fixed monthly fee for the provision of the services.

### 3. **RATIONALE FOR THE JOINT VENTURE**

The Group has been exploring opportunities to broaden its hospitality business portfolio by acquiring hospitality assets as well as by building up its capability to provide management services to hotels and serviced residences. The provision of management services to hotels and serviced residences will be a complementary extension of the Group’s hospitality business. It is an asset-light strategy which will broaden the income stream and increase recurring income for the Group.

The entry into the Joint Venture allows the Group to leverage on AH’s experience and familiarity in this area. Further, by partnering AH in the Joint Venture, the Group will be able to share the business and execution risks with AH as well as tap on the resources of AH, such as AH’s networks in the hospitality industry and funding from AH.

### 4. **INFORMATION ON THE JOINT VENTURE PARTNER**

AH is a company incorporated in Singapore. AH is also in the hospitality management business, with a particular focus on serviced residences. AH and its subsidiaries currently provide hospitality management services for various serviced residences in Singapore, Malaysia and Thailand, including Ariva on Shan Serviced Residences in Singapore, Ariva Trillion Residences in Malaysia and Ariva Ivy Servizio Thonglor, Ariva Sukhumvit 11 and Ariva C Ekkamai in Thailand.

The Joint Venture Agreement contains non-compete and non-solicitation undertakings to restrict the JV Partners from competing with the business of the JVCo. AH is permitted to continue with the management agreements entered into by it or its subsidiaries as at the date of the Joint Venture Agreement only until the expiry of the term specified in such agreement, and AH has further undertaken not to renew any of such agreements.

The ultimate shareholders of AH are interested persons (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited (the “**Listing Manual**”)) of the Company. Please refer to the disclosure in paragraph 5 below (*Interested Person Transactions*).

## 5. **INTERESTED PERSON TRANSACTIONS**

### (a) Interested Persons

CESH, a wholly-owned subsidiary of the Company, will have a 70% shareholding in the JVCo. AH, an indirect wholly-owned subsidiary of Tang Dynasty Pte. Ltd. (“**Tang Dynasty**”), will have a 30% shareholding in the JVCo.

As at the date of this announcement:

- (i) Mr Gordon Tang and Mrs Celine Tang (together, “**GCT**”) are controlling shareholders (as defined in the Listing Manual) of the Company. Mrs Celine Tang is also the Non-Independent and Non-Executive Director and the Non-Executive Chairman of the Company; and
- (ii) Mr Gordon Tang, Mrs Celine Tang and Mr Gordon Tang’s mother, Ms Yang Chanzhen, collectively hold in aggregate 100% of the shareholding interest in Tang Dynasty.

For the purposes of Chapter 9 of the Listing Manual, AH is an associate (as defined in the Listing Manual) of GCT while the JVCo is both an “entity at risk” of the Company and an associate of GCT. Accordingly, the participation by CESH and AH in the Joint Venture, the provision of the services by CESH under the Corporate Services Agreement and the provision of each Shareholders’ Loan by CESH and AH under the Loan Facility are interested person transactions.

### (b) Rule 916(2) of the Listing Manual – The Joint Venture and the Joint Venture Agreement

Based on the terms of the Joint Venture Agreement, the Audit and Risk Committee of the Company is of the view that:

- (i) the risks and rewards of the Joint Venture are in proportion to the eventual equity of each of CESH and AH in the Joint Venture; and
- (ii) the terms of the Joint Venture Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

As the risks and rewards for each of CESH and AH pursuant to the terms of the Joint Venture Agreement are in proportion to their eventual respective shareholding percentages in the JVCo, and none of GCT, AH or Mr Gordon Tang’s mother (collectively, the “**Interested Persons**”) had any existing interest in the Joint Venture prior to the entry into the Joint Venture Agreement, the investment in the Joint Venture will fall within the scope of Rule 916(2) of the Listing Manual.

### (c) Rule 916(3) of the Listing Manual – Shareholders’ Loan Agreement

Each Shareholders’ Loan under the Loan Facility will be extended by each of the JV Partners according to their respective shareholding percentages in the JVCo. In addition, under the terms of the Shareholders’ Loan Agreement, each Shareholders’ Loan shall be extended by each of the JV Partners on the same terms and conditions, including the interest rate to be accrued on the loan.

As mentioned in paragraph 5(b) above, none of the Interested Persons had any existing interest in the Joint Venture prior to the entry into the Joint Venture Agreement.

Based on the terms of the Shareholders' Loan Agreement, the Audit and Risk Committee of the Company is of the view that:

- (i) the provision of each Shareholders' Loan under the Loan Facility is not prejudicial to the interests of the Company and its minority shareholders; and
- (ii) the risks and rewards for each of CESH and AH are in proportion to the eventual equity of each of CESH and AH in the Joint Venture and the terms of the Shareholders' Loan Agreement are not prejudicial to the interests of the Company and its minority shareholders.

Accordingly, the provision of any Shareholders' Loan by the JV Partners to the JVCo pursuant to the terms of the Shareholders' Loan Agreement will fall within the scope of Rule 916(3) of the Listing Manual.

(d) Rule 905(2) of the Listing Manual - Corporate Services Agreement

The provision of services by CESH to the JVCo, and the obtaining of services from CESH by the JVCo, under the Corporate Services Agreement are interested person transactions.

CESH customarily undertakes the corporate administration of those joint venture companies in the Group's hospitality business segment in which the Group has a majority shareholding interest. This includes the joint ventures relating to the Group's existing resort in the Maldives, Grand Park Kodhipparu, and the Group's new resort to be located in North Male Atoll in the Maldives.

Based on the terms of the Corporate Services Agreement, the Audit and Risk Committee of the Company is of the view that the terms of the Corporate Services Agreement are on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The aggregate of the maximum amount of fees payable to CESH pursuant to the Corporate Services Agreement for the current financial year ending 31 December 2022 ("FY2022") will not exceed 0.1% of the Group's latest audited net tangible assets.

(e) Value of Interested Person Transactions

As at the date of this announcement, the current total of all interested person transactions with GCT and their associates for FY2022 is approximately S\$7,609,247.

As at the date of this announcement, approximately 99.90% of the aggregate value of all interested person transactions with GCT and their associates for FY2022 is attributable to transactions which fall within the scope of Rule 916(2) and Rule 916(3) of the Listing Manual. The remaining value of approximately S\$8,000 is less than 5% of the Group's latest audited net tangible assets.

As at the date of this announcement, the current total of all interested person transactions of the Company for FY2022 is approximately S\$7,680,843.

6. **FINANCIAL IMPACT**

CESH's proportionate contribution of S\$350,000 to the Joint Venture was funded by internal resources.

The entry by CESH into the Joint Venture Agreement and the Corporate Services Agreement and the provision of any Shareholders' Loan by CESH under the Loan Facility are not expected to have a material impact on the net tangible assets and earnings per share of the Company for FY2022.

7. **OTHERS**

Save as disclosed in this announcement, 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 Joint Venture Agreement, the Corporate Services Agreement and the Shareholders' Loan Agreement, other than through their respective shareholdings and/or directorships, as the case may be, in the Company.

Submitted by Chia Lee Meng Raymond, Executive Director and Group Chief Executive Officer, on 31 January 2022 to the SGX.