



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

INTERESTED PERSON TRANSACTIONS – ENTRY INTO AGREEMENTS RELATING TO THE PEACE CENTRE / PEACE MANSION REDEVELOPMENT PROJECT

1. INTRODUCTION

The Board of Directors (the “**Board**”) of Chip Eng Seng Corporation Ltd. (the “**Company**”, and together with its subsidiaries, the “**Group**”) refers to the Company’s announcements released on 3 December 2021 (*Enbloc Acquisition of Peace Centre / Peace Mansion through Private Treaty*) (the “**3 December 2021 Announcement**”) and 15 December 2021 (*Acquisition of Peace Centre / Peace Mansion, Interested Person Transactions – Incorporation of Joint Venture Companies and Provision of Shareholders’ Loans to Joint Venture Companies*) (together, the “**Earlier Announcements**”).

Sophia Commercial Pte. Ltd. (“**SCPL**”) is the joint venture company established for the development of the commercial component of the Property and Sophia Residential Pte. Ltd. (“**SRPL**”) is the joint venture company established for the development of the residential component of the Property.

Unless otherwise stated, terms defined in the Earlier Announcements shall have the same meaning in this announcement.

2. ENTRY INTO AGREEMENTS RELATING TO THE JOINT VENTURE TO REDEVELOP THE PROPERTY

The Company wishes to update that the following agreements have been entered into today in connection with the Joint Venture.

(a) Shareholders’ Agreements

CEL has entered into:

- (i) a shareholders’ agreement with SHCPL and UIPL, as well as SCPL (the “**SCPL SHA**”), to regulate the affairs of SCPL and the respective rights of the JV Partners (as shareholders of SCPL), on the terms and subject to the conditions of the SCPL SHA; and
- (ii) a shareholders’ agreement with SHCPL and UIPL, as well as SRPL (the “**SRPL SHA**”, together with the SCPL SHA, the “**Shareholders’ Agreements**”), to regulate the affairs of SRPL and the respective rights of the JV Partners (as shareholders of SRPL), on the terms and subject to the conditions of the SRPL SHA.

Pursuant to the terms of the Shareholders’ Agreements, the rights and obligations of the JV Partners in the Joint Venture for the acquisition, development and dealing of the Property are borne by the JV Partners in their respective Participation Proportions.

(b) Corporate Services Agreements

Each of the JV Companies has entered into an agreement with CEL, pursuant to which each JV Company has appointed CEL as the corporate services manager to provide certain

administrative services, including accounting services, tax-related services and financing services (together, the “**Corporate Services Agreements**”), on and subject to the terms and conditions of the Corporate Services Agreements. CEL will provide such services until the JV Companies are dissolved.

Under the terms of the Corporate Services Agreements, each of the JV Companies has agreed to pay CEL a fixed monthly fee.

(c) Developer Management Agreement

The JV Companies (as joint developers) have entered into an agreement with CEL and SingHaiyi Development Pte. Ltd. (“**SDPL**”) (an affiliate of SHCPL), pursuant to which the JV Companies have appointed CEL and SDPL as joint project managers to provide project management consultancy services for the Project, including design management, management of the construction and construction process of the Project and (after the temporary occupation permit for the Project is obtained) property management services for the Project (the “**Developer Management Agreement**”), on and subject to the terms and conditions of the Developer Management Agreement.

Under the terms of the Developer Management Agreement, the JV Companies have agreed to pay CEL and SDPL a fee which is based on a fixed percentage of the total construction costs for the Project.

(d) Marketing Management Agreement

The JV Companies have entered into an agreement with CEL and SDPL as joint marketing managers, pursuant to which the JV Companies have appointed CEL and SDPL to provide certain marketing services, including services relating to the administering of the sale and lease of the residential and commercial units comprised in the Project (the “**Units**”) and marketing of the Project (the “**Marketing Management Agreement**”), on and subject to the terms and conditions of the Marketing Management Agreement.

Under the terms of the Marketing Management Agreement, the JV Companies have agreed to pay CEL and SDPL a fee which is based on a fixed percentage of the sales revenue for the Units.

3. **BANK FINANCING**

The Company wishes to further update that the JV Companies have today entered into a facility agreement with DBS Bank Ltd., Oversea-Chinese Banking Corporation Limited and Bank of China Limited (Singapore Branch) (collectively, the “**Financing Banks**”), pursuant to which the Financing Banks have agreed to provide to the JV Companies a secured loan in the aggregate principal amount of S\$835,650,000 (the “**Bank Loan**”). The proceeds from the Bank Loan will be applied towards part financing the acquisition of the Property, the payment of the land betterment charge, construction costs and professional fees.

In connection with the provision of the Bank Loan, CEL and the shareholders of each of SHCPL and UIPL are required to, on a several basis, guarantee the Bank Loan based on the respective Participation Proportion of the relevant JV Partner (the “**Guarantee**”). Accordingly:

- (i) CEL has provided a guarantee in favour of the Financing Banks to guarantee up to 40% of the Bank Loan;
- (ii) Haiyi Holdings and SingHaiyi Group Pte. Ltd. (“**SingHaiyi**”) have jointly and severally provided a guarantee in favour of the Financing Banks to guarantee up to 30% of the Bank Loan; and
- (iii) each of the shareholders of UIPL has provided a guarantee in favour of the Financing Banks to collectively guarantee up to 30% of the Bank Loan.

4. INTERESTED PERSON TRANSACTIONS

(a) “Entity at risk” and Interested Persons

- (i) “Entity at risk”: CEL, a wholly-owned subsidiary of the Company, is an “entity at risk” of the Company for the purposes of Chapter 9 of the Listing Manual; and
- (ii) Interested Persons:
 - (A) Tang Dynasty Treasure Pte. Ltd. is a controlling shareholder of the Company. Mr Gordon Tang and Mrs Celine Tang (together, “GCT”) collectively hold in aggregate 100% of the shareholding interest in Tang Dynasty Treasure Pte. Ltd. and are deemed to have an interest in the shares of the Company held by Tang Dynasty Treasure Pte. Ltd.. Mrs Celine Tang is also the Non-Independent and Non-Executive Director and the Non-Executive Chairman of the Company;
 - (B) As mentioned in the Earlier Announcements, SHCPL and the JV Companies are associates of GCT; and
 - (C) GCT, through intermediate holding companies, collectively have an interest in all the shares of each of Haiyi Holdings, SingHaiyi and SDPL. Each of Haiyi Holdings, SingHaiyi and SDPL is thus an associate of GCT.

In view of the foregoing, the following constitute interested person transactions (“**IPTs**”):

- (1) the participation by CEL and SHCPL in the Joint Venture and the entry into the Shareholders’ Agreements for this purpose;
- (2) the provision of the services pursuant to the Corporate Services Agreements, the Developer Management Agreement and the Marketing Management Agreement (collectively, the “**Management Services Agreement**”); and
- (3) the provision of the Guarantee by CEL, Haiyi and SingHaiyi.

(b) Rationale for Interested Person Transactions

Please refer to the rationale set out in the 3 December 2021 Announcement.

In addition, both CEL and SDPL have project and marketing management experience in managing the redevelopment and sales of real estate projects of this nature. It is also more efficient, both operationally and in terms of costs, for related entities of the JV Partners to manage these key aspects of the Project, compared to outsourcing to an external service provider.

(c) Rule 916(2) of the Listing Manual – the Joint Venture and the Shareholders’ Agreements

Based on the terms of the Shareholders’ Agreements, 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 equity of each JV Partner in the Joint Venture; and
- (ii) the terms of the Joint Venture 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 JV Partner pursuant to the terms of each of the Shareholders’ Agreements are in proportion to their respective Participation Proportions, and none of Mr Gordon Tang, Mrs Celine Tang or SHCPL had any existing interest in the Joint Venture prior to

the participation by the JV Partners in the Joint Venture, the investment in the Joint Venture will fall within the scope of Rule 916(2) of the Listing Manual.

When assessing the terms of the Shareholders' Agreements, the Audit and Risk Committee of the Company took into account the terms of other shareholders' agreements which the Group had entered into with other joint venture partners in respect of real estate development projects of a similar nature to the Project. Such shareholders' agreements include those entered into with parties which are not interested persons of the Company. In the case of the Joint Venture, UIPL, which is not an interested person of the Company, is also a party to the Shareholders' Agreements and is subject to the same rights and obligations as CEL and SHCPL.

(d) Rule 916(3) of the Listing Manual – Provision of Guarantee

The terms of the Guarantee are negotiated on an arm's length basis with the Financing Banks. Based on the terms of the Guarantee, the Audit and Risk Committee of the Company is of the view that:

- (i) the Guarantee is on normal commercial terms, and is not prejudicial to the interests of the Company and its minority shareholders; and
- (ii) the risks and rewards of the Joint Venture are in proportion to the equity of each JV Partner and the terms of the Joint Venture are not prejudicial to the interests of the Company and its minority shareholders.

As the Guarantee is extended in the respective Participation Proportions of each of the JV Partners and on the same terms, and none of Mr Gordon Tang, Mrs Celine Tang or SHCPL had any existing interest in the Joint Venture prior to the participation by the JV Partners in the Joint Venture, the provision of the Guarantee will fall within the scope of Rule 916(3) of the Listing Manual.

(e) Rule 905(2) of the Listing Manual – Provision of Services under the Management Services Agreements

The aggregate of the maximum amount of fees payable under the Management Services Agreements for the entire term of these agreements (the "**Aggregate Service Fees**") will not exceed 1.5% of the Group's latest audited net tangible assets.

The value of the Aggregate Service Fees when aggregated with the value of all other IPTs entered into with GCT and their associates during the current financial year ending 31 December 2023 ("**FY2023**") exceeds 3% of the Group's latest audited net tangible assets. However, the value of the Aggregate Service Fees when aggregated with the value of all other IPTs entered into with GCT and their associates during FY2023 which do not fall within the scope of Rule 916 of the Listing Manual is less than 5% of the Group's latest audited net tangible assets. For avoidance of doubt, IPTs which fall within the scope of Rule 916 of the Listing Manual are not required to comply with Rule 906 of the Listing Manual. Please also see paragraph (g) below for the values of the IPTs with GCT and their associates for FY2023.

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

When assessing the terms of the Management Services Agreements, the Audit and Risk Committee of the Company took into account the terms of other similar management services agreements which the Group had entered into in respect of real estate development projects of a similar nature to the Project, including those with parties which are not interested persons of the Company. It is noted that the terms of the Management Services Agreements, including the scope of work and fee structure, are comparable with the terms agreed with other parties.

(f) Abstention

Mrs Celine Tang, being the Non-Independent and Non-Executive Director and the Non-Executive Chairman of the Company, has abstained from the Board's review and approval process in respect of the entry into the Shareholders' Agreements, the Management Services Agreements and the Guarantee.

(g) Value of Interested Person Transactions

As at the date of this announcement,

- (i) the current total value of all interested person transactions with GCT and their associates for FY2023 is approximately S\$586.5 million;
- (ii) approximately 99.9% of the aggregate value of all interested person transactions with GCT and their associates for FY2023 is attributable to the transactions which fall within the scope of Rule 916 of the Listing Manual. The remaining value of approximately S\$380,000 is less than 5% of the Group's latest audited NTA; and
- (iii) the current total value of all interested person transactions of the Company for FY2023 is approximately S\$586.5 million.

5. FINANCIAL IMPACT

The entry by CEL into the Shareholders' Agreements and the Management Services Agreements, the entry by the JV Companies into the Management Services Agreements and the provision of the Guarantee by CEL are not expected to have a material impact on the net tangible assets and earnings per share of the Company for FY2023.

6. OTHERS

Save as disclosed in the Earlier Announcements and 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 Shareholders' Agreements, the Management Services Agreements and the Guarantee, 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 16 February 2023 to the SGX.