



**RESPONSE TO QUERIES REGARDING THE ANNOUNCEMENT ON
THE ENTRY INTO AGREEMENTS RELATING TO THE MANAGEMENT OF
MOMENTUS HOTEL ALEXANDRA RELEASED ON 13 JANUARY 2023**

The Board of Directors of Chip Eng Seng Corporation Ltd. (the “**Company**”) refers to the queries raised by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 16 January 2023 in connection with the Company’s announcement released on 13 January 2023 (*Interested Person Transaction – Entry into Agreements relating to the Management of Momentus Hotel Alexandra*) (the “**Hotel Management IPT Announcement**”). The queries from SGX-ST and the Company’s responses are set out below.

Unless otherwise defined in the responses, capitalised but undefined terms in the responses shall have the same meaning ascribed to them in the Hotel Management IPT Announcement.

Queries from SGX-ST:

“The Company announced on 13 January 2023 that it has entered into an interest person transaction (“**IPT**”) with Momentus Hospitality to operate the group’s hotel located at 323 Alexandra Road in Singapore. Fees payable to the hotel operator, Momentus Hospitality include base management fees, incentive management fees, corporate marketing fees and brand licensing fees which are pegged to certain percentages of the hotel’s revenue and/or gross operating profit. The Audit and Risk Committee (“**ARC**”) of the Company is of the view that the provision of the Hotel Management Services is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.

- (a) Pursuant to Listing Rule 917(2) which requires the disclosure of the relevant terms of the transaction and the bases on which the terms were arrived at, please disclose the relevant percentages in respect of each fee payable to Momentus Hospitality;
- (b) In accordance with Listing Rule 917(2), please quantify the details of the transaction, and disclose whether the transaction is/will be of a value amounting to 3%/5% or more of the group’s latest audited net tangible assets (“**NTA**”), or when aggregated with all other transactions entered into with the same interested person during the same financial year amounts to 3%/5% or more of the group’s latest audited NTA;
- (c) Listing Rule 906(1) requires an issuer to obtain shareholder approval for any IPT of a value equal to, or more than 5% of the group’s latest audited NTA, or when aggregated with the value all other transactions entered into with the same interested person during the same financial year amounts to 5% or more of the group’s latest audited NTA. Please disclose whether the Board and/or the ARC had assessed the IPT with Momentus Hospitality in accordance with Listing Rule 906(1); and
- (d) Please disclose and elaborate on the basis for the ARC’s view that the IPT is on normal commercial terms and not prejudicial to the interests of the Company and its minority shareholders.”

Company’s response to query (a):

The percentages in respect of the fees payable under the Hotel Agreements range from 1% to up to 5%. Such fee structure is no less favourable to the Group compared with the fee structure agreed with past and present third-party operators of the hotels owned by the Group (including the previous operator of the Hotel).

Company's response to query (b):

It is not possible for the Company to quantify the exact amount of fees payable under the Hotel Agreements as the quantum is subject to variables such as total revenue, room revenue and gross operating profit which will fluctuate from time to time.

In any event, the maximum amount of fees payable under the Hotel Agreements in a fiscal year will not exceed 1% of the Group's latest audited NTA. Furthermore, the maximum amount of fees payable under the Hotel Agreements for the Initial Term (which is fixed at 10 years) is expected to be less than 5% of the Group's latest audited NTA, but may exceed 3% of the Group's latest audited NTA.

As the renewal of the Hotel Agreements is optional rather than mandatory, in considering whether to renew the Hotel Agreements at the relevant time, the Company will assess, amongst other things, whether the expected maximum amount of fees payable during the renewal term will be subject to shareholders' approval pursuant to Listing Rule 906.

Company's response to query (c):

Both the Board and the ARC had assessed the IPT relating to the entry into the Hotel Agreements in accordance with Listing Rule 906(1).

As mentioned in paragraph (e)(ii) of the Hotel Management IPT Announcement, as at 13 January 2023, the aggregate value of the IPTs with GCT and their associates for FY2023 which do not fall within the scope of Listing Rule 916 is S\$5,700. This amount, when aggregated with the maximum amount of fees expected to be payable under the Hotel Agreements for the Initial Term, is less than 5% of the Group's latest audited NTA. Accordingly, shareholders' approval for the entry into the Hotel Agreements is not required.

For the avoidance of doubt, IPTs which fall within the scope of Listing Rule 916 are not required to comply with Listing Rule 906.

The Company will continue to monitor the value of the fees payable under the Hotel Agreements, together with the value of any other IPTs entered into with the same interested person during the same financial year. The Company is cognisant of the requirement in Listing Rule 906(1) that it must obtain shareholder approval for any IPT of a value that is equal to, or more than 5% of, the Group's latest audited NTA, or when aggregated with the value of all other transactions entered into with the same interested person during the same financial year amounts to 5% or more of the Group's latest audited NTA.

Company's response to query (d):

When assessing the terms of the Hotel Agreements, the ARC also took into account the terms of other hotel management arrangements (including the fee structure) which the Group had entered into with past and existing third-party operators of the hotels owned by the Group. Such third-party hotel management arrangements include that of the previous operator of the Hotel as well as operators which are managing an international network of hotels.

Notwithstanding that Momentus Hospitality and Momentus H&R are considered interested persons for the purposes of Chapter 9 of the Listing Manual, they are nevertheless 70%-held subsidiaries of the Group. The Company, as the majority shareholder, will stand to benefit from any profits generated by Momentus Hospitality and Momentus H&R.

By Order of the Board

Chia Lee Meng Raymond
Executive Director and Group Chief Executive Officer
20 January 2023