

EMERGING TOWNS & CITIES SINGAPORE LTD.

(Incorporated in the Republic of Singapore)
(Company Registration No. 198003839Z)

UPDATE IN RELATION TO THE PROPOSED DISPOSAL OF CEDAR PROPERTIES PTE. LTD.

The Board of Directors (the “**Board**”) of Emerging Towns & Cities Singapore Ltd. (the “**Company**”) and together with its subsidiaries the “**Group**”) refers to the following announcements:

- (a) the Company’s announcement dated 18 January 2018 in relation to the sale and purchase agreement entered into on the same date by the Company and Mr Luo Shandong (“**Mr Luo**”) pursuant to which the Company has agreed to sell and Mr Luo has agreed to purchase the Company’s share in Cedar Properties Pte. Ltd. (“**CPPL**”), representing 100% of the issued and paid-up share capital in CPPL; and
- (b) the Company’s announcement released on 25 January 2018 in relation to the appointment of valuer and appointment of independent financial adviser in relation to the proposed disposal of CPPL,

(collectively, the “**Disposal Announcements**”).

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning as in the Disposal Announcements.

1. CONSIDERATION FOR THE PROPOSED DISPOSAL

Under the SPA, the Consideration payable by Mr Luo for the Proposed Disposal shall be negotiated between the Company and Mr Luo based on the Valuation.

The Board wishes to announce that the Company had on 13 February 2018 entered into a supplemental letter to the SPA with Mr Luo (the “**Supplemental Letter**”).

Pursuant to the Supplemental Letter, the Company and Mr Luo have agreed that, taking into account the indicative Valuation by the valuer, the Consideration payable by Mr Luo for the Proposed Disposal shall be the sum of RMB81 million (approximately S\$17.0 million based on the exchange rate of RMB1.00: S\$0.20968 as at 12 February 2018, being the day before the Supplemental Letter was signed) less any amounts which CPPL may have repaid on the shareholder’s loan comprising an initial principal aggregate amount of RMB48 million, being the purchase consideration relating to CPPL’s acquisition of Huizhou Daya Bay, owed by CPPL to the Company (the “**Shareholder’s Loan**”) during the period between the date of the SPA and the date of Completion.

The Consideration was arrived at after arms’ length negotiations, on a willing buyer willing seller basis, after taking into account, *inter alia*, the financial position of the CPPL Group as set out in Section 3 of this Announcement, and the Valuation, details of which will be set out in the circular referred to in Section 7 of this Announcement.

2. CHAPTER 9 OF THE CATALIST RULES – INTERESTED PERSON TRANSACTION

As at 18 January 2018, the day the SPA was signed, Mr Luo held a direct interest of 149,410,864 shares of the Company (“**Shares**”) and a deemed interest (held by Citibank Nominees Singapore Pte. Ltd. as his nominee) of 22,878,532 Shares constituting approximately 15.53% and 2.38% respectively of all the issued Shares and a total interest of 172,289,396 Shares constituting approximately 17.91% of all the issued Shares (based on an issued and paid up share capital of 962,166,934 Shares as at 18 January 2018).

Mr Luo had on 22 January 2018 disposed of his direct interest of 149,410,864 Shares

constituting approximately 15.53% of all the issued Shares (please refer to the announcement dated 24 January 2018 in relation to the change in Mr Luo's interest in the Company's shares). Pursuant to such disposal, Mr Luo currently has a deemed interest (held by Citibank Nominees Singapore Pte. Ltd. as his nominee) of 22,878,532 Shares constituting approximately 2.38% of all the issued Shares.

Notwithstanding that Mr Luo is no longer the controlling shareholder of the Company as at the date of this Announcement, as Mr Luo was the controlling shareholder of the Company and an "interested person" under Chapter 9 of the Catalist Rules as at the day the SPA was signed, the Proposed Disposal constitutes an "interested person transaction" under Chapter 9 of the Catalist Rules.

The Consideration for the Proposed Disposal, assuming that CPPL does not repay any amount on the Shareholder's Loan during the period between the date of the SPA and the date of Completion, amounts to approximately S\$17.0 million representing approximately 18.1% of the Group's latest audited consolidated net tangible assets for the financial period ended 31 December 2016 ("FY2016") which is approximately S\$94.2 million as at 31 December 2016.

As the Consideration for the Proposed Disposal exceeds 5% of the Group's latest audited consolidated net tangible assets of the Group for FY2016, pursuant to Rule 906 of the Catalist Rules, the Proposed Disposal constitutes an interested person transaction which is subject to the approval of the Shareholders. Accordingly, the Company is convening the EGM to seek Shareholders' approval for the Proposed Disposal as an interested person transaction.

Save for the Proposed Disposal, the Company, its subsidiaries and associated companies which, for the purposes of Chapter 9 of the Catalist Rules, are considered to be "entities at risk", have not entered into any interested person transaction with Mr Luo and his associates for the period from 1 January 2018 to the date hereof to which Rules 905 and/or 906 of the Catalist Rules would apply.

3. VALUE OF THE CPPL GROUP AND GAIN FROM THE PROPOSED DISPOSAL

3.1. Value of the CPPL Group

Based on the latest announced consolidated financial statements of the Group for the financial period ended 30 September 2017 ("3Q2017"), the book value and net tangible assets of the CPPL Group as at 30 September 2017 was approximately S\$14.7 million. Based on the foregoing and the Consideration, assuming that CPPL does not repay any amount on the Shareholder's Loan during the period between the date of the SPA and the date of Completion and that the Proposed Disposal was completed on 30 September 2017, the excess of the proceeds from the Proposed Disposal over the book value of the CPPL Group is approximately S\$1.6 million.

3.2. Loss attributable to the CPPL Group and gain from the Proposed Disposal

Based on the latest announced consolidated financial statements of the Group for 3Q2017, the net loss* attributable to the CPPL Group as at 30 September 2017 was approximately S\$2.1 million.

* "net loss" means loss before income tax, non-controlling interests and extraordinary items.

Based on the foregoing and the Consideration, assuming that CPPL does not repay any amount on the Shareholder's Loan during the period between the date of the SPA and the date of Completion and that the Proposed Disposal was completed on 30 September 2017, the Group would expect to realise net gain (being the proceeds arising from the Proposed Disposal as compared to the book value of the CPPL Group as at 30 September 2017) of approximately S\$1.6 million.

4. RELATIVE FIGURES COMPUTED ON THE BASES SET OUT IN RULE 1006 AND APPLICABILITY OF CHAPTER 10 OF THE CATALIST RULES

As the Consideration has been agreed upon, the relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Disposal and based on the latest announced consolidated financial statements of the Group for 3Q2017 are as follows:

Rule 1006	Base	Relative figure computed in accordance with the bases set out in Rule 1006
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value	10.9%
(b)	The net profits ⁽¹⁾ attributable to the CPPL Group, compared with the Group's net profits	-97.4% ⁽²⁾
(c)	The aggregate value of the Consideration of RMB81,000,000 ⁽³⁾ , compared with the Company's market capitalisation ⁽⁴⁾ of approximately S\$73,605,770 based on the total number of issued shares excluding treasury shares	23.1%
(d)	The number of equity securities issued by the Company as consideration for the Proposed Disposal, compared with the number of equity securities previously in issue	Not applicable.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves	Not applicable.

Notes:

- (1) "net profits" means profit or loss before income tax, non-controlling interests and extraordinary items.
- (2) The relative figure for Rule 1006(b) in this instance is negative as there was a net loss attributable to the CPPL Group of approximately S\$2.3 million as at 30 September 2017 (including associated transaction cost to be incurred for the Proposed Disposal of S\$0.2 million) whilst the Group posted a net profit of approximately S\$2.3 million, based on the latest announced consolidated financial statements of the Group for 3Q2017.
- (3) Assuming that CPPL does not repay any amount on the Shareholder's Loan during the period between the date of the SPA and the date of Completion, the aggregate value of the Consideration of RMB81 million is equivalent to approximately S\$17.0 million based on the exchange rate of RMB1.00: S\$0.20968 as at 12 February 2018, being the day before the Supplemental Letter was signed.
- (4) "market capitalisation" is calculated by the number of shares of the Company (excluding treasury shares) multiplied by the volume weighted average price of S\$0.0765 of the Company's shares as at 13 November 2017, being the last trading day before 14 November 2017, the day trading in the Company's shares was halted and since subsequently suspended.

The relative figure computed on the base set out in Rule 1006(b) of the Catalist Rules is a negative figure. Under Rule 1007(1) of the Catalist Rules, if any of the relative figures computed on the relevant bases set out in Rule 1006 is a negative figure, the Company is required, through its Sponsor, to consult with the SGX-ST on the applicability of Chapter 10 of the Catalist Rules.

Notwithstanding the foregoing and having considered that the Company will be seeking the approval of Shareholders for the Proposed Disposal as an interested person transaction (please refer to Section 2 of this Announcement), the Company will nonetheless seek Shareholders' approval for the Proposed Disposal at the EGM.

5. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

5.1. Bases and Assumptions

For the purposes of illustration only, the *pro forma* financial effects of the Proposed Disposal taken as a whole are set out below. The *pro forma* financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2016 and do not necessarily reflect the actual future financial position and performance of the Group following completion of the Proposed Disposal as the Company has, since its FY2016 audited consolidated financial statements, increased its issued share capital to approximately S\$32,841,618 divided into 962,166,934 Shares as at the date of this Announcement. Accordingly, Shareholders should note that the following *pro forma* financial effects of the Proposed Disposal have been calculated to take into consideration the enlarged share capital of the Company as mentioned above. The Group has translated its results and financial position into SGD starting from 1 January 2017 and the comparatives of the financial statements of the Company and of the Group were restated and presented in SGD. Specifically, the assets and liabilities of the Company and of the Group as at 31 December 2016 were translated from RMB to SGD at the closing exchange rates as at 31 December 2016, while the income and expense items of the Company and of the Group for the year ended 31 December 2016 were translated at the average rate during the said period.

5.2. Share Capital

The Proposed Disposal has no impact on the Company's issued share capital.

5.3. Net Tangible Assets ("NTA")

Assuming that the Proposed Disposal was completed on 31 December 2016 and based on the Group's audited consolidated financial statements for FY2016 after adjusting for the shares issued by the Company from 1 January 2017 to the date of this Announcement (the "**2017 Shares**") and disregarding any interest, revenue and/or return that may arise from the Proposed Disposal, the *pro forma* financial effects of the Proposed Disposal on the consolidated NTA of the Group are as follows:

	As at 31 December 2016	
	Before the Proposed Disposal	After the Proposed Disposal
NTA of the Group (S\$'000)	94,187	86,230 ⁽¹⁾
Number of Shares	962,166,934	962,166,934
NTA per share (cents)	9.79	8.96

Note:

- (1) The NTA of CPPL Group as at 30 September 2017 which was taken into consideration to arrive at the post-disposal NTA of the Group does not represent the NTA at the date of Completion.

5.4. Earnings Per Share (“EPS”)

Assuming that the Proposed Disposal had been completed on 1 January 2016 and based on the Group’s audited consolidated financial statements for FY2016 after adjusting for the 2017 Shares and disregarding any interest, revenue and/or return that may arise from the Proposed Disposal, the *pro forma* financial effects of the Proposed Disposal on the consolidated EPS of the Group are as follows:

	For FY2016	
	Before the Proposed Disposal	After the Proposed Disposal
Net profit attributable to the Group (S\$’000)	13,545	14,919 ⁽¹⁾
Weighted Average Number of Shares	962,166,934	962,166,934
EPS per share (cents)	1.41	1.55

Note:

- (1) The financials of CPPL Group as at 30 September 2017 which were taken into consideration to arrive at the post-disposal net profit attributable to Shareholders do not represent the values at the date of Completion.

5.5. Gearing⁽¹⁾

Assuming that the Proposed Disposal had been completed on 31 December 2016 and based on the Group’s audited consolidated financial statements for FY2016 after adjusting for the 2017 Shares and disregarding any interest, revenue and/or return that may arise from the Proposed Disposal, the *pro forma* financial effects of the Proposed Disposal on the gearing of the Group are as follows:

	As at 31 December 2016	
	Before the Proposed Disposal	After the Proposed Disposal
Total Debts (S\$’000)	22,496	22,496 ⁽²⁾
Total Equity (S\$’000)	136,272	111,331 ⁽²⁾
Gearing Ratio (times)	0.17	0.20

Notes:

- (1) Gearing is calculated based on the assumption that the convertible loan owing to Mr Luo has been converted into equity as at 31 December 2016.
- (2) The debts and equity of CPPL Group as at 30 September 2017 which were taken into consideration to arrive at the post-disposal debts and equity of the Group do not represent the values at the date of Completion.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Company's directors or controlling shareholders or their associates has any interest, direct or indirect, in the Proposed Disposal, other than through their respective shareholdings in the Company.

7. EGM AND CIRCULAR TO SHAREHOLDERS

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal as an interested person transaction and a circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be dispatched to the Shareholders in due course.

8. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and the Supplemental Letter will be available for inspection during normal business hours at the registered office of the Company for a period of three (3) months from the date of this Announcement.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Announcement and confirm after making all reasonable enquiries that to the best of their knowledge and belief, the Disposal Announcements and this Announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries and the Directors are not aware of any facts the omission of which would make any statement in this Announcement misleading.

Where information in this Announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Announcement in its proper form and context.

10. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the Proposed Disposal as appropriate or when there are material developments on the same.

11. CAUTION IN DEALING

Shareholders and investors are advised to exercise caution when dealing in the shares of the Company. There is no certainty or assurance as at the date of this Announcement that the Proposed Disposal will proceed to Completion, as Completion is subject to, *inter alia*, fulfillment of all the conditions precedent in the SPA.

Shareholders are advised to read this Announcement and any further announcements by the Company carefully. Shareholders should consult their stockbrokers, solicitors or other professional advisors if they have any doubts about the action they should take.

By Order of the Board

Mr Tan Thiam Hee
Group Chief Executive Officer and Executive Director

13 February 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Sponsor has not independently verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.

The details of the contact person for the Sponsor is:

*Name: Mr. Nathaniel C.V. (Registered Professional, RHT Capital Pte. Ltd.)
Address: 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619
Tel: 6381 6757*