

EMERGING TOWNS & CITIES SINGAPORE LTD.

(Company Registration Number: 198003839Z)

Annex A**Questions Raised by Shareholders at the Company's Annual General Meeting Held on 23 April 2019 in Relation to the Resolutions and the Responses in Relation Thereto**

NO.	QUESTIONS	RESPONSES
<u>Presentation on the overview of the Company and updates in relation to the Company</u>		
1.	Shareholder A queried if the revenue recognised and recorded was 50% or 100% of the price of a unit price when a buyer pays a minimum of 50% for the unit.	Mr Tan Thiam Hee (" Mr Tan "), Group Chief Executive Officer and Executive Director, stated that based on the given scenario, the Company would recognise revenue based on 100% of the net price of the unit.
<u>Resolution 1 – Adoption of the Directors' Statement and the Audited Financial Statements for the financial year ended 31 December 2018</u>		
1.	Shareholder B raised several issues regarding the Company's financial statements, as follows:	
	<p data-bbox="276 779 858 1048">i. In relation to the Group's profit and loss statement ("P&L"), Shareholder B noted that whilst the Company owns 49% of the Golden City project, the recorded net profit attributable to shareholders of the Company, compared to the recorded net profit for the year, was less than proportionate to the percentage owned by the Company.</p>	<p data-bbox="874 779 1453 1205">i. Mr Joseph Lim ("Mr Lim"), Group Chief Financial Officer of the Company, directed the shareholders to the presentation slides in relation to the Group's structure. He highlighted that although the Company owns 49% of the Golden City project and it should be entitled to 49% of the profit, the Company would also need to account for the expenses of the Company and its other entities which are non-revenue generating. This resulted in a lower recorded profit attributable to shareholders of the Company compared to the expected 49% of the total profit.</p> <p data-bbox="874 1238 1453 1597">Mr Tan explained that the Company had less than 50% of the profit from the project due to its 49% ownership. Mr Tan noted that in the P&L, the expenses from the disposal of Cedar Properties Pte. Ltd. as well as the costs attached to the listed Company had been included. Mr Tan further stated that after taking into account these expenses, the profit attributable to the Group would be less than the original 49% of profit from Golden Land Real Estate Development Co., Ltd. ("Golden Land").</p> <p data-bbox="874 1630 1453 1843">Mr Tan stated that when they acquired the project, there was some goodwill as construction for phase 1 was near completion whereas construction for phase 2 of the project had not started. As such, there would be a difference in terms of the premium as well as the profit obtained.</p> <p data-bbox="874 1877 1453 2085">Mr Tan further stated that the management has been prudent in keeping the costs low, but there are some overhead costs that the Company would not be able to avoid and the Management would need to consider the cash flow of the Company to ensure that they would be able to continue with the</p>

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		remaining phases of the project.
ii.	Shareholder B asked about the interest rate relating to the imputed interest expense on accrued land lease premium and how the Company accrues the imputed interest expense.	<p>ii. Mr Lim explained that the imputed interest expense on accrued land lease premium for the financial year ended 31 December 2018 was S\$3.8 million.</p> <p>Mr Lim stated that the imputed interest expense is related to the accrued land lease premium, which was derived from the annual payments made by Golden City over the lease term, which was recognised as a financial liability measured at amortised cost using the effective interest method. In this regard, the imputed interest expenses are expenses related to the unwinding of discount relating to the present value of the annual lease payments for the land purchased by Golden City.</p> <p>Mr Tan added that in Myanmar, there are two main types of land, namely: (i) leasehold land; and (ii) build, operate and transfer land (“BOT”). Golden City is built on BOT land, which cannot be purchased and Golden Land would have to pay for the lease annually. Mr Tan further stated that in order for the shareholders to have a clear and complete picture, the Company had accrued for this in the accounts and as such the interest expenses were imputed and recorded. This accounting treatment was also proposed by the auditors during the course of their audit to comply with the relevant standards.</p>
iii.	Shareholder B asked whether the interest would increase or decrease with time.	<p>iii. Mr Tan explained that in determining the interest rate, the management would have to discuss with the auditors based on the situation in Myanmar, though the imputed interest expense on accrued land lease premium is unlikely to fluctuate.</p>
iv.	Shareholder B queried the reason for not including the imputed interest in the third quarter results announcement.	<p>iv. Mr Tan noted that following the full year financial results announcement and after discussions with the auditors of the Company, there were some audit adjustments proposed by the auditors that were due to, among others, the adoption of the new accounting standard. Such changes were technical in nature.</p>
v.	Shareholder B queried how the Company intends to deal with its current cash flow situation.	<p>v. Mr Tan stated that if one were to speak to any developer operating in Myanmar, they would be informed of the difficulties in obtaining financing in Myanmar. Mr Tan noted that it had become harder to secure financing in Myanmar and more so for the Group since it currently only has one project in Myanmar.</p> <p>Mr Tan explained that the Group would be able to remove the major constraint on</p>

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		<p>financing and answer the questions raised by the potential investors in relation to the loan owed by the Group to Mr Luo Shandong (“Mr Luo”) through the extension of the conversion right under the convertible loan agreement (“CLA”) entered into between the Company and Mr Luo under resolution 12. Mr Tan further explained that through resolution 12, the potential investors would be able to obtain the clarity which they sought.</p>
vi.	<p>Shareholder B asked whether the Company will be able to persuade Mr Luo to exercise his right to convert the loan owed by the Company and whether the Company will consider the partial conversion of the loan.</p>	<p>vi. Mr Tan explained that the Company has the right to require Mr Luo to convert the outstanding loan to shares at the expiry of the CLA on 25 April 2019. Mr Tan informed the shareholders that the Company had previously provided an undertaking to Singapore Exchange Regulation Pte. Ltd. (“SGX Regco”) that when Mr Luo exercises his right under the CLA, the Company is to redeem a portion of the CLA in cash such that at any point in time, Mr Luo will not hold more than 10% of the enlarged share capital of the Company or will not become the single largest shareholder of the Company as a direct consequence of Mr Luo’s exercise of his right under the CLA. As such, Mr Tan noted that it would not be favourable for the Company at this time to convert part of the loan to shares and to pay the remaining in cash.</p> <p>Mr Tan further explained that this would not be ideal as it would impact the cash flow of the Company. The second constraint was that the conversion price, which is S\$0.09, is comparatively higher than the current market price. Mr Tan informed the shareholders that Mr Luo is not willing to explore the idea of conversion at this time and as such he had agreed to the extension. Mr Tan assured the shareholders that the management will continue to seek alternative fundraising options for the Company to deal with this situation.</p>
<p><u>Resolution 5 – Re-election of Mr Lim Jun Xiong Steven as Director, who shall retire pursuant to Regulation 94 of the Company’s Constitution</u></p>		
1.	<p>Shareholder C noted that there are two Chief Financial Officers (“CFOs”) in the Group, one who is based in Myanmar and another based in Singapore. The shareholder queried if there is a need for the Company to have two CFOs when it only has one project.</p>	<p>Mr Tan explained that the two CFOs play different roles as Mr Lim is based in Singapore and is in charge of the Group’s compliance, especially with the listing rules, while Mr William Lau (“Mr Lau”), who is based in Myanmar, plays more of an operational role, responsible for the finance function for the Myanmar project. Mr Tan further added that the Company would not want to risk the operations of the Company and will continue to explore other feasible ways to reduce costs.</p>

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2.	Shareholder A noted that it is sufficient for the Company to only employ one CFO in Singapore and the Company has the option to employ Mr Lau as a manager instead of a CFO.	Mr Tan explained that the Company understands that it has the option to appoint Mr Lau to another position. However, the working environment in Myanmar is such that certain parties such as financial institutions only deal with senior representatives of a company. Therefore, it is more efficient to have Mr Lau as a CFO representing the Group in its Myanmar office.
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Resolution 6 – Approval of the payment of the proposed directors’ fees of up to S\$200,000 to be paid quarterly in arrears for the financial year ending 31 December 2020

1.	Shareholder C queried if the directors’ fees had increased from last year.	Mr Ang Mong Seng (the “ Chairman ”), Non-Executive and Independent Group Chairman, replied that there was no increase in the proposed directors’ fees. The Chairman further explained that last year, the directors’ fees paid out were about S\$170,000 while this year the directors’ fees estimated to be paid are about S\$150,000 as one of the Independent Directors, Dr Choong Chow Siong, had retired due to health reasons and as such the fees to be paid out this year will be less than fees paid last year.
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Resolution 11 – Proposed renewal of the Share Purchase Mandate

1.	Shareholder C raised several issues in relation to the share purchase mandate, as follows:	
	i. Shareholder C asked for the reason for the renewal of the share purchase mandate when the Company has issues in relation to its cash flow.	i. Mr Tan explained that when the Company started this scheme, the Company did not have any cash flow constraints and the reason for the renewal now was to save costs rather than tabling the share purchase mandate again in the future after it lapses and incurring additional higher costs. Mr Tan further explained that the renewal was being sought to ensure flexibility for the Company. Mr Tan further stated that the Company currently does not have any plan to conduct any share buy-back.
	ii. Shareholder C queried the purpose of the share purchase mandate and whether it is to enhance the value of the shares.	ii. Mr Tan stated that the Company’s net asset value (“ NAV ”) per share was around S\$0.12 and as such, if the Company’s cash flow allows, it may conduct a share purchase with a view to encourage the share price to reflect its true value.
	iii. Shareholder C asked why the current share price is S\$0.03 as compared to the NAV per share.	iii. Mr Tan explained that the Company does not control the share price as that is determined by the market.
	iv. Shareholder C noted that the Company had reported a profit in its financial statements and stated that the Company should encourage shareholders to hold onto their shares by declaring a dividend. Shareholder C queried on the rationale behind the Company’s decision to grant	iv. Mr Tan explained that profit does not equal to positive cash flow and the reason the Company was able to record the profit was due to revenue recognition on the handover of units. However, Mr Tan noted that the Group recognises income even though there were portions of the proceeds from the

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	<p>performance incentive shares but to not declare dividends despite the profit recorded.</p>	<p>handover which have yet to be collected, a situation unique to property development in Myanmar.</p> <p>Mr Tan further stated that the Company would not declare dividends at the risk of insolvency and he encouraged shareholders to hold onto their shares.</p> <p>In relation to the share options, Mr Tan noted that it has been 2 years since the Company had issued any share options while the performance shares are issued to encourage the retention and interests of the operational staff and teams in Myanmar to align with the Company's interests. Mr Tan further explained that a certain amount of profit in Myanmar had been set aside to fund the issuance of performance shares as incentive. Mr Tan stated that the profit that was set aside had been/is to be paid back to the Company as consideration for the shares issued.</p>
	<p>v. Shareholder C queried on how long the Company would need before it would be able to improve its cash flow and whether the current cash flow situation would last.</p>	<p>v. Mr Tan stated that there is no definite answer as to how long the Company's current cash flow situation will last but that he believes that it will not last forever. Mr Tan further added that the Board had been trying to improve the cash flow of the Company.</p> <p>Mr Tan noted that Mr Teo Cheng Kwee ("Mr Teo"), Non-Executive Director of the Company, is also a shareholder of the Company and Mr Zhu Xiaolin ("Mr Zhu"), the Group President, is the single largest shareholder of the Company. As such, it is in their interests that the Company take steps to ensure that the interests of the shareholders are protected.</p> <p>Mr Tan further stated that the Company had been taking steps to overcome its issue with the cash flow. However, it could not take any bigger steps until there are additional investors.</p> <p>The Chairman noted that the there are many companies that are facing the same situation especially property development companies. The Chairman explained to the shareholders that in Myanmar, most of the potential buyers were not able or not willing to obtain housing loans from banks for the purchase of property and as such the Company would need to allow the buyers to pay by instalments. In this regard, the Chairman stated that the Company would need to obtain sufficient funds to cater for such instalment scheme as well as for further development.</p>

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		<p>The Chairman informed the shareholders that the Board has been doing its best and will continue to do so, and hopes to be able to declare dividends to the shareholders in the future. The Chairman added that the Company's interests are aligned with the shareholders. The Chairman further reiterated that the Company is still negotiating with potential investors and will inform the shareholders on the details once available.</p>
2.	<p>Shareholder D queried if the Company has any plans to enter into joint ventures.</p>	<p>The Chairman explained that the Board has been meeting to discuss on the Company's future plans and has been in discussions with potential investors. The Chairman further added that the Board looks forward to announcing the plans to the shareholders once such plans have been confirmed.</p>