

LETTER TO SHAREHOLDERS DATED 5 APRIL 2018

THIS LETTER TO SHAREHOLDERS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

This Letter to Shareholders (“**Letter**”) is circulated to shareholders (“**Shareholders**”) of Emerging Towns & Cities Singapore Ltd. (the “**Company**”) together with the Company’s annual report for the financial year ended 31 December 2017 (the “**Annual Report 2017**”). Its purpose is to provide Shareholders with information on, and to explain the rationale for the proposed renewal of the Share Purchase Mandate (defined below) to be tabled at the Annual General Meeting of Shareholders to be held at 55 Market Street, #03-01, Singapore 048941 on 26 April 2018 at 9.30 a.m.. If you are in any doubt in relation to this Letter or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

The Notice of Annual General Meeting and Proxy Form are enclosed with the Annual Report 2017.

If you have sold or transferred all your ordinary shares in the capital of the Company (“**Shares**”) held through The Central Depository (Pte) Limited (“**CDP**”), you need not forward this Letter and the Annual Report 2017 with the Notice of the Annual General Meeting and the attached Proxy Form to the purchaser or transferee as arrangements will be made by CDP for a separate Letter and the Annual Report 2017 with the Notice of the Annual General Meeting and the attached Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with the CDP, you should immediately forward this Letter and the Annual Report 2017 with the Notice of the Annual General Meeting and the attached Proxy Form to the purchaser or transferee, or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Letter 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 (the “**SGX-ST**”) Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Letter.

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

The contact person for the Sponsor is Mr Nathaniel C.V., Registered Professional, RHT Capital Pte. Ltd. at 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619, telephone no. (65) 6381 6757.



EMERGING TOWNS & CITIES SINGAPORE LTD

新世界地产集团有限公司

EMERGING TOWNS & CITIES SINGAPORE LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 198003839Z)

LETTER TO SHAREHOLDERS

IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

IMPORTANT DATES AND TIMES

Last date and time for lodgment of Proxy Form	:	23 April 2018 at 9.30 a.m.
Date and time of Annual General Meeting	:	26 April 2018 at 9.30 a.m.
Place of Annual General Meeting	:	55 Market Street, #03-01, Singapore 048941

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DEFINITIONS

In this Letter, the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

- “ACRA”** : The Accounting and Corporate Regulatory Authority of Singapore
- “AGM”** : The annual general meeting of the Company to be held on 26 April 2018 at 55 Market Street, #03-01, Singapore 048941 at 9.30 a.m.
- “Annual Report 2017”** : The Company’s annual report for the financial year ended 31 December 2017
- “Associate”** : (a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:
- (i) his immediate family;
 - (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and
 - (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more;
- (b) In relation to a Substantial Shareholder or Controlling Shareholder (being a company) means any company which is its subsidiary or holding company or is a subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
- “Board”** : The board of Directors of the Company
- “Catalist”** : The Catalist Board of the SGX-ST
- “Catalist Rules”** : Listing Manual Section B: Rules of Catalist of the SGX-ST, as amended up to the Latest Practicable Date
- “CDP”** : The Central Depository (Pte) Limited
- “Code”** : Singapore Code on Take-overs and Mergers
- “Companies Act”** : Companies Act (Cap. 50) of Singapore, as amended, modified or supplemented from time to time
- “Company”** : Emerging Towns & Cities Singapore Ltd.

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“Constitution”	:	The Constitution of the Company, as amended from time to time
“Control”	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
“Controlling Shareholder”	:	A person who: (a) holds directly or indirectly 15% or more of all voting shares in the Company (unless the SGX-ST determines that such a person is not a Controlling Shareholder); or (b) in fact exercises Control over the Company
“CPF”	:	Central Provident Fund
“Directors”	:	The directors of the Company as at the Latest Practicable Date and each a “Director”
“EPS”	:	Earnings per Share
“FY2017”	:	The financial year ended 31 December 2017
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	23 March 2018, being the latest practicable date prior to the printing of this Letter
“Letter”	:	This letter to Shareholders dated 5 April 2018
“Notice of AGM”	:	The notice of the AGM which is set out on pages 160 to 166 of the Annual Report 2017
“NTA”	:	Net tangible assets
“Outstanding Options”	:	The 16,000,000 options granted under The Cedar Strategic Holdings Ltd. Employee Share Option Scheme approved by the Shareholders at an extraordinary general meeting of the Company held on 21 August 2009 (each option carrying the right to subscribe for one (1) new Share in the capital of the Company at an exercise price of S\$0.075 exercisable from the date falling 24 months after the date of the grant up till 17 May 2026) existing as at the Latest Practicable Date that were previously issued by the Company, the number and issue price of which have been adjusted pursuant to the completion of the Company’s consolidation of every twenty-five (25) existing ordinary shares to one (1) consolidated share, fractional entitlements to be disregarded, as disclosed in the Company’s announcement dated 5 December 2016

DEFINITIONS

“Register of Members”	:	Register of members of the Company
“Registrar”	:	The Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies
“RMB” and “fen”	:	Renminbi and fen respectively, being the lawful currency of the People’s Republic of China
“Securities Account”	:	A securities account maintained by a Depositor with the CDP but not including a securities sub-account maintained with a Depository Agent
“Securities and Futures Act”	:	Securities and Futures Act, Chapter 289, of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“SGXNET”	:	The SGXNET Corporate Announcement System, being a system network used by listed companies to send information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
“Share Purchase Mandate”	:	The general mandate given to the Company for the purchase or acquisition by the Company of its issued Shares
“Share Registrar”	:	The share registrar of the Company
“Shareholders”	:	The registered holders of Shares in the register of members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, in relation to such Shares and where the context so admits, mean the Depositors whose securities accounts are credited with such Shares
“Shares”	:	Issued and paid-up ordinary shares in the capital of the Company, and each a “Share”
“Sponsor”	:	RHT Capital Pte. Ltd.
“Substantial Shareholder”	:	A person (including a corporation) who has an interest in not less than 5% of the total issued voting Shares
“S\$” and “cents”	:	Singapore dollars and cents respectively, being the lawful currency of Singapore
“%” or “per cent.”	:	Per centum or percentage

DEFINITIONS

The terms “**Depositor**”, “**Depository Agent**” and “**Depository Register**” shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

The terms “**subsidiaries**” and “**related corporations**” shall have the meanings ascribed to them respectively in Sections 5 and 6 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference to a time of day and date in this Letter is made by reference to Singapore time and date, unless otherwise stated.

Any reference in this Letter to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Catalist Rules, the Take-over Code or any statutory or regulatory modification thereof and not otherwise defined in this Letter shall, where applicable, have the meaning ascribed to it under the Companies Act, the Catalist Rules, the Take-over Code or any such statutory or regulatory modification thereof, as the case may be, unless the context otherwise requires.

The headings in this Letter are inserted for convenience only and shall be ignored in construing this Letter.

Any discrepancies in figures included in this Letter between the amounts listed and their actual values are due to rounding. Accordingly, figures may have been adjusted to ensure that totals or sub-totals shown, as the case may be, reflect an arithmetic aggregation of the figures that precede them.

Any reference in this Letter to Shareholders being allotted to a person includes allotment to CDP for the account of that person.

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EMERGING TOWNS & CITIES SINGAPORE LTD

新世界地产集团有限公司

EMERGING TOWNS & CITIES SINGAPORE LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 198003839Z)

Board of Directors:

Christopher Chong Meng Tak
(Non-Executive Group Chairman/Independent Director)
Tan Thiam Hee *(Group Chief Executive Officer and Executive Director)*
Zhu Xiaolin *(Group President and Executive Director)*
Wong Pak Him Patrick *(Executive Director)*
Peter Tan *(Independent Director)*
Teo Cheng Kwee *(Non-Executive Director)*

Registered Office:

80 Raffles Place
#26-05 UOB Plaza 1
Singapore 048624

5 April 2018

To: The Shareholders of Emerging Towns & Cities Singapore Ltd.

Dear Sir/Madam

LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

1 INTRODUCTION

1.1 Annual General Meeting

The Board refers to Resolution 8 in item 11 of the Notice of AGM, which is to be tabled at the AGM to be held on 26 April 2018 to seek Shareholders' approval for the proposed renewal of the Share Purchase Mandate.

1.2 Purpose of this Letter

1.2.1 The purpose of this Letter is to provide Shareholders with information pertaining to the proposed renewal of the Share Purchase Mandate.

1.2.2 This Letter has been prepared solely for the purpose outlined above and may not be relied upon by any persons (other than the Shareholders to whom this Letter is despatched to by the Company) or for any other purpose.

1.2.3 **The Sponsor and the SGX-ST take no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Letter.**

LETTER TO SHAREHOLDERS

2 THE PROPOSED RENEWAL OF SHARE PURCHASE MANDATE

2.1 Background

2.1.1 Any purchase or acquisition of its Shares by the Company has to be made in accordance with, and in the manner prescribed by the Companies Act, the Catalist Rules, the Constitution and such other laws and regulations as may for the time being be applicable.

2.1.2 It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares has to obtain the approval of its shareholders to do so at a general meeting of its shareholders. It is also a requirement under the Catalist Rules that an issuer which wishes to purchase its own shares should obtain the prior approval of its shareholders in a general meeting. Accordingly, approval is being sought from Shareholders at the AGM for the proposed renewal of the Share Purchase Mandate.

2.1.3 At the annual general meeting held on 26 April 2017, Shareholders had approved, *inter alia*, the grant of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares. The authority conferred through the existing Share Purchase Mandate will expire on 26 April 2018, being the date of the forthcoming AGM. In this regard, Shareholders' approval is being sought at the AGM for the proposed renewal of the Share Purchase Mandate by way of an ordinary resolution.

2.1.4 Notwithstanding the approval of the proposed renewal of the Share Purchase Mandate at the forthcoming AGM, the prior approval of Shareholders by way of an ordinary resolution will be required for each annual renewal of the Share Purchase Mandate.

2.2 Rationale for the Proposed Renewal of the Share Purchase Mandate

2.2.1 The approval of the proposed renewal of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake Share purchases or acquisitions up to the limit described in paragraph 2.3 below at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

2.2.2 The rationale for the Company to undertake a purchase or acquisition of its Shares is as follows:

- (a) the purchase by the Company of its issued shares is one of the ways in which the return on equity of the Company may be improved, thereby increasing Shareholder value. By obtaining a Share Purchase Mandate, the Company will have the flexibility to undertake purchases of Shares at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force;
- (b) the Share Purchase Mandate will also facilitate the return to the Shareholders by the Company of surplus cash (if any) which is in excess of the Group's financial needs in an expedient and cost-effective manner;
- (c) Share purchases also allow the Board to exercise control over the Company's share structure with a view to enhancing the EPS and/or the NTA value per Share; and

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- (d) the Board further believes that Share purchases by the Company may help to mitigate short-term market volatility in the price of the Shares, off-set the effects of short-term speculation and bolster Shareholders' confidence.

2.2.3 If and when circumstances permit, the Board will decide whether to effect the Share purchase or acquisition, after taking into account the relevant factors such as the financial resources available, the prevailing market conditions and the cost and timing involved. No purchase or acquisition of Shares will be made in circumstances which would have or may have a material adverse effect on the liquidity and capital adequacy position of the Group as a whole.

2.3 Authority and Limits of the Share Purchase Mandate

The authority and limitations placed on the purchases or acquisitions of Shares by the Company under the Share Purchase Mandate, if approved at the AGM, are summarised below:

2.3.1 Maximum Number of Shares

- (a) The total number of Shares which may be purchased or acquired by the Company pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than 10% of the number of the Company's issued Shares as at the date on which the resolution authorising the renewal of the Share Purchase Mandate is passed, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of Shares of the Company shall be taken to be the total number of Shares of the Company as altered.
- (b) For the above purposes, "**Relevant Period**" means the period commencing from the date on which the resolution authorising the renewal of the Share Purchase Mandate is passed, and expiring on the date the next annual general meeting of the Company is held or is required by law to be held, whichever is the earlier.
- (c) Any Shares which are held as treasury shares or subsidiary holdings will be disregarded for purposes of computing the 10% limit. As at the Latest Practicable Date, the Company does not hold any treasury shares and there are no subsidiary holdings.
- (d) Solely for illustrative purposes, based on 962,166,934 Shares in issue as at the Latest Practicable Date, and assuming that no further Shares are issued on or prior to the AGM, not more than 96,216,693 Shares (representing 10% of the Shares in issue as at that date) may be purchased or acquired by the Company pursuant to the Share Purchase Mandate.

2.3.2 Duration of Authority

- (a) Purchases or acquisitions of Shares may be made, at any time and from time to time, by the Company on and from the date of the AGM at which the Share Purchase Mandate is approved, up to the earliest of:
 - (i) the date on which the next annual general meeting of the Company is held or required by law to be held; or

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- (ii) the date on which the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
 - (iii) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in general meeting.
- (b) The Share Purchase Mandate may be renewed at subsequent annual general meetings or other general meetings of the Company.

2.3.3 Manner of purchases or acquisitions of Shares

Purchases or acquisitions of Shares may be effected by the Company by way of:

- (a) on-market purchases (“**Market Purchases**”), transacted on the SGX-ST through the ready market through one or more duly licensed dealers appointed by the Company for the purpose; and/or
- (b) off-market purchases (“**Off-Market Purchases**”) (if effected otherwise than on the SGX-ST) in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Catalist Rules.

In an Off-Market Purchase, the Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Catalist Rules and the Companies Act and other applicable laws and regulations, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An equal access scheme must, however, satisfy all the following conditions:

- (i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, (2) differences in consideration attributable to the fact that the offers may relate to Shares with different amounts remaining unpaid and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Under Rule 870 of the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document containing at least the following information:

- (A) the terms and conditions of the offer;
- (B) the period and procedures for acceptances;
- (C) the reasons for the proposed purchase or acquisition of Shares;

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- (D) the consequences, if any, of the purchase or acquisition of Shares that will arise under the Take-over Code or other applicable take-over rules;
- (E) whether the purchase or acquisition of Shares, if made, could affect the listing of the Company's shares on the SGX-ST;
- (F) details of any share purchase made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and
- (G) whether the Shares purchased by the Company will be cancelled or kept as treasury shares.

2.3.4 Maximum purchase price

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid by the Company for the Shares as determined by the Directors must not exceed:

- (a) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase, 115% of the Average Closing Price (as defined hereinafter),

(each, the "**Maximum Price**").

For the above purposes:

"Average Closing Price" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the date of the Market Purchase by the Company or the date of the making of the offer pursuant to the Off-Market Purchase, as the case may be, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five (5) day period; and

"date of the making of the offer" means the day on which the Company announces its intention to make an offer for the purchase of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.4 **Status of Purchased Shares**

- 2.4.1 A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share.

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2.4.2 At the time of each purchase of Shares by the Company, the Board will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Board deems fit in the interests of the Company at that time.

2.4.3 Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) *Maximum Holdings*

The maximum number of treasury shares which may be held by the Company is as follows:

- (i) the Company if having only one (1) class of shares shall not hold treasury shares exceeding 10% of the total number of such shares; or
- (ii) the Company if having more than one (1) class of shares shall not hold treasury shares of that class exceeding 10% of the total number of issued shares in that class at any time;

and in the event that the Company holds in its treasury more than 10% of the total number of issued shares in any class of its shares, it shall cancel the excess within six (6) months or such further period as the Registrar may allow.

(b) *Voting and Other Rights*

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

Further, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of shares as fully paid bonus shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a greater or smaller number is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) *Disposal and Cancellation*

Where Shares are held as treasury shares, the Company may at any time:

- (i) sell the treasury shares for cash;
- (ii) transfer the treasury shares for the purposes of or pursuant to any share scheme, whether for employees, directors or other persons;
- (iii) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the treasury shares; or
- (v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

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2.4.4 Under Rule 704(31) of the Catalist Rules, the Company must immediately announce any sale, transfer, cancellation and/or use of treasury shares, stating the following:

- (a) date of the sale, transfer, cancellation and/or use;
- (b) purpose of such sale, transfer, cancellation and/or use;
- (c) number of treasury shares sold, transferred, cancelled and/or used;
- (d) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (e) percentage of the number of treasury shares against the total number of shares outstanding in a class that is listed before and after such sale, transfer, cancellation and/or use; and
- (f) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.5 Source of Funds

2.5.1 The Companies Act permits any purchase or acquisition of shares to be made out of a company's capital or profits so long as the company is solvent. Such a payment shall include any expenses (including brokerage or commission) incurred directly in the purchase or acquisition of Shares. For this purpose, a company is solvent if:

- (a) there is no ground on which the company could be found to be unable to pay its debts;
- (b) if:
 - (i) it is intended to commence winding up of the company within the period of 12 months immediately after the date of the payment, the company will be able to pay its debts in full within the period of 12 months after the date of commencement of the winding up; or
 - (ii) it is not intended so to commence winding up, the company will be able to pay its debts as they fall due during the period of 12 months immediately after the date of the payment; and
- (c) the value of the company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the proposed purchase or acquisition, become less than the value of its liabilities (including contingent liabilities).

2.5.2 The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Purchase Mandate. In purchasing or acquiring Shares pursuant to the Share Purchase Mandate, the Board will, principally consider the availability of internal resources. In addition, the Board will also consider the availability of external financing. However, in considering the option of external financing, the Board will consider particularly the prevailing gearing level of the Group. The Board will only make purchases or acquisitions pursuant to the Share Purchase Mandate in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group.

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2.6 Financial Effects

2.6.1 The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on, *inter alia*, the aggregate number of Shares purchased or acquired, the price paid for such Shares, whether the purchase or acquisition was made out of profits and/or capital and whether the Shares purchased or acquired are held in treasury or cancelled.

2.6.2 Purchase or acquisition made out of capital and/or profits

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related brokerage, goods and services tax, stamp duties and clearance fees) will correspondingly reduce the amount available for the distribution of cash dividends by the Company.

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, such consideration will correspondingly reduce the share capital of the Company but the amount available for the distribution of cash dividends by the Company will not be reduced.

Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Company and the Group, and thus the current assets and shareholders' funds of the Company and the Group. This will result in an increase in the gearing ratios of the Company and the Group and a decline in the current ratios of the Company and the Group. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the price paid for such Shares.

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Company and the Group, and a decline in the current ratios and shareholders' funds of the Company and the Group, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

2.6.3 Number of Shares purchased or acquired

For illustrative purposes only, on the basis of 962,166,934 Shares as at the Latest Practicable Date, assuming that no further Shares are issued on or prior to the AGM, the purchase by the Company of 10% of its issued Shares will result in the purchase or acquisition of 96,216,693 Shares.

2.6.4 Maximum Price paid for Shares purchased or acquired

In the case of Market Purchase by the Company, assuming that the Company purchases or acquires 96,216,693 Shares at the Maximum Price of S\$0.0836 per Share (being the price equivalent to 105% of the Average Closing Price of the Share traded on the SGX-ST for the five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 96,216,693 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$8,041,791.

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In the case of an Off-Market Purchase by the Company, assuming that the Company purchases or acquires 96,216,693 Shares at the Maximum Price of S\$0.0915 per Share (being the price equivalent to 115% of the Average Closing Price of the Share traded on the SGX-ST for the five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 96,216,693 Shares (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) is approximately S\$8,807,676.

2.6.5 Illustrative Financial Effects

For illustrative purposes only, on the basis of the assumptions set out below and based on the audited financial statements of the Group for FY2017 and assuming that:

- (i) the Share Purchase Mandate had been effective on 1 January 2017;
- (ii) the purchases or acquisitions of Shares are financed solely by non-current borrowings with no interest charged on the borrowings; and
- (iii) there were no expenses incurred directly in such purchases of Shares,

the financial effects of the purchase or acquisition of such Shares by the Company based on the audited financial statements of the Group for FY2017 would have been as follows:

	Before Share Purchase S\$'000	After Share Purchase assuming Market Purchase S\$'000		After Share Purchase assuming Off-Market Purchase S\$'000	
		Shares cancelled	Shares held as treasury shares	Shares cancelled	Shares held as treasury shares
31 December 2017					
Capital and Reserves					
Share capital	43,126	35,084	43,126	34,318	43,126
Treasury Shares	–	–	(8,042)	–	(8,808)
Reserves	81,216	81,216	81,216	81,216	81,216
Total Equity Attributable to Owners	124,342	116,300	116,300	115,534	115,534
Non-controlling interest	11,364	11,364	11,364	11,364	11,364
Total Equity	135,706	127,664	127,664	126,898	126,898
Current assets	255,933	255,933	255,933	255,933	255,933
Current liabilities	151,580	151,580	151,580	151,580	151,580
Total borrowings	45,097	53,139	53,139	53,905	53,905
Cash and cash equivalents	21,072	21,072	21,072	21,072	21,072
Number of issued Shares ('000)	962,167	865,950	865,950	865,950	865,950

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	Before Share Purchase S\$'000	After Share Purchase assuming Market Purchase S\$'000		After Share Purchase assuming Off-Market Purchase S\$'000	
		Shares cancelled	Shares held as treasury shares	Shares cancelled	Shares held as treasury shares
31 December 2017					
Financial ratios					
Basic EPS (cents)	—*	—*	—*	—*	—*
NTA per Share ⁽¹⁾ (cents)	17.37	18.37	18.37	18.29	18.29
Current ratio (times)	1.69	1.69	1.69	1.69	1.69
Gearing ratio (%) ⁽²⁾	33.23	41.62	41.62	42.48	42.48
Return on Equity (%) ⁽³⁾	—*	—*	—*	—*	—*

Notes:

* Amount less than 0.01.

- (1) "NTA per Share" is calculated based on the Net Tangible Assets (total assets less total liabilities, intangible assets and deferred tax assets, and adding back deferred tax liabilities).
- (2) "Gearing ratio" is calculated using the ratio of total borrowings to total equity.
- (3) "Return on Equity" is calculated based on the net profits attributable to owners of the Company and total equity less non-controlling interests.

SHAREHOLDERS SHOULD NOTE THAT THE FINANCIAL EFFECTS SET OUT ABOVE ARE PURELY FOR ILLUSTRATIVE PURPOSES ONLY AND HAVE BEEN PREPARED ON THE ASSUMPTION THAT THE COMPANY EXERCISES THE SHARE PURCHASE MANDATE UP TO 10% IN THE CASE OF MARKET PURCHASES AND 10% IN THE CASE OF OFF-MARKET PURCHASES, BEING THE MAXIMUM NUMBER OF SHARES THE COMPANY IS ABLE TO PURCHASE UNDER THE SHARE PURCHASE MANDATE, HAVING REGARD TO (i) THE REQUIREMENT FOR THE COMPANY TO REMAIN SOLVENT AND (ii) THE MAXIMUM PRICES AS CALCULATED IN THE MANNER PROVIDED FOR ABOVE.

SHAREHOLDERS SHOULD NOTE THAT ALTHOUGH THE SHARE PURCHASE MANDATE WOULD AUTHORISE THE COMPANY TO PURCHASE OR ACQUIRE UP TO 10% OF THE ISSUED SHARES, THE COMPANY MAY NOT NECESSARILY PURCHASE OR ACQUIRE OR BE ABLE TO PURCHASE OR ACQUIRE THE ENTIRE 10% OF THE ISSUED SHARES. IN PARTICULAR, THE MAXIMUM NUMBER OF SHARES THAT THE COMPANY MAY PURCHASE UNDER THE SHARE PURCHASE MANDATE IS LIMITED TO THE EXTENT THAT THE COMPANY WILL REMAIN SOLVENT. THE DIRECTORS DO NOT INTEND TO EXERCISE THE SHARE PURCHASE MANDATE UP TO THE MAXIMUM LIMIT IF SUCH EXERCISE WOULD MATERIALLY AND ADVERSELY AFFECT THE FINANCIAL POSITION OF THE GROUP.

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For illustrative purposes, it has been assumed that the purchases or acquisitions of Shares are financed solely by internal resources. Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would also be an increase in the gearing ratio of the Group and a decline in the current ratios of the Group, with the actual impact dependent on, *inter alia*, the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Shareholders should also note that the financial effects set out above are for illustration purposes only (based on the aforementioned assumptions). The actual impact will depend on, *inter alia*, the number and price of the Shares purchased or acquired (if any). In particular, Shareholders should note that the above analysis is based on the audited financial statements of the Group for FY2017 and is not necessarily representative of future financial performance.

The Company may take into account both financial and non-financial factors (for example, stock market conditions and the performance of the Shares) in assessing the relative impact of a share purchase before execution.

2.7 Reporting Requirements

The Companies Act and the Catalist Rules require the Company to make reports in relation to the Share Purchase Mandate as follows:

- (a) within 14 days of the passing of a Shareholders' resolution to approve purchases of Shares, the Company must lodge a copy of such resolution with ACRA;
- (b) the Company must notify ACRA, within 14 days of a purchase of Shares on the SGX-ST or otherwise. Such notification in the form as may be prescribed by the ACRA shall include details of the date of the repurchase, the total number of Shares purchased by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued share capital before the purchase of Shares, the Company's issued share capital after the purchase of Shares, the amount of consideration paid by the Company for the purchase, whether the Shares were purchased out of profits or the capital of the Company and such other particulars as may be required;
- (c) under Rule 871 of the Catalist Rules, purchases of Shares must be reported to the SGX-ST in the forms prescribed by the Catalist Rules and announced to the public in the case of Market Purchases, not later than 9.00 a.m. on the Market Day following the day of purchase of any of its Shares and in the case of Off-Market Purchases, not later than 9.00 a.m. on the second Market Day after the close of acceptances of the offer made by the Company; and
- (d) in its annual report and accounts, the Company shall make disclosure of details pertaining to purchases of Shares made during the year, including the total number of Shares purchased during the financial year under review, the purchase price per Share or the highest and lowest prices paid for the purchases, and where relevant, the total consideration paid.

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2.8 Catalyst Rules

2.8.1 While the Catalyst Rules do not expressly prohibit any purchase of shares by a listed company during any particular time or times, because the listed company would be regarded as an “insider” in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate in any of the following circumstances:

- (a) at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of a decision of the Board of Directors until the price-sensitive information has been publicly announced; and
- (b) during the period commencing one month immediately preceding the announcement of the Company’s full-year results and the period of two weeks before the announcement of the Company’s first quarter, second quarter and third quarter results.

2.8.2 The Catalyst Rules require a listed company to ensure that at least 10% of any class of its listed securities (excluding treasury shares) must be held by Public Shareholders. As at the Latest Practicable Date, approximately 54.18% of the issued Shares (excluding treasury shares) are held by Public Shareholders. Assuming that the Company undertakes purchases or acquisitions of its Shares up to the full 10% limit permitted under the Share Purchase Mandate, approximately 49.09% of the issued Shares (excluding treasury shares) will be held by Public Shareholders. Accordingly, the Company is of the view that there is a sufficient number of the Shares in issue held by Public Shareholders which would permit the Company to undertake purchases or acquisitions of its Shares through Market Purchases up to the full 10% limit pursuant to the Share Purchase Mandate without affecting the listing status of the Shares on the Catalist, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or to affect orderly trading.

2.9 Take-over Implications

2.9.1 Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

- (a) Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder’s proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code.

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(b) Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will be presumed to be acting in concert:

- (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (ii) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies and companies of which such companies are associated companies, all with each other. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company.

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

(c) Effect of Rule 14 and Appendix 2 of the Take-over Code

In general terms, the effect of Rule 14 and Appendix 2 is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of 6 months.

Under Appendix 2, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six months. Such Shareholder need not abstain from voting in respect of the Ordinary Resolution authorising the Share Purchase Mandate.

2.9.2 The Directors are not aware of any fact(s) or factor(s) which suggest or imply that any particular person(s) and/or Shareholder(s) are, or may be regarded as, parties acting in concert such that their respective interests in voting Shares in the capital of the Company should or ought to be consolidated, and consequences under the Take-over Code would ensue, as a result of a purchase of Shares by the Company pursuant to the Share Purchase Mandate.

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2.9.3 The statements in this Letter do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers, the Securities Industry Council or other relevant authorities at the earliest opportunity as to whether an obligation to make a take-over offer would arise by reason of any purchase or acquisition of Shares by the Company.

2.10 Tax implications arising from Share Purchases

Shareholders who are in doubt as to their respective tax positions or tax implications of acquisitions of Shares by the Company, or who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

2.11 Shares Purchased by the Company

The Company has not made any share purchase in the 12 months preceding the Latest Practicable Date.

2.12 Interested Persons

The Company is prohibited from knowingly buying Shares on the Catalist from an interested person, that is, a Director, the chief executive of the Company or Controlling Shareholder of the Company or any of their Associates, and an interested person is prohibited from knowingly selling his Shares to the Company.

3 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS AND SHAREHOLDING STRUCTURE OF THE COMPANY

3.1 The interests of the Directors and the Substantial Shareholders in the share capital of the Company as at the Latest Practicable Date based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders are set out below:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	Shareholding (%) ⁽¹⁾	Number of Shares	Shareholding (%) ⁽¹⁾	Number of Shares	Shareholding (%) ⁽¹⁾
Director(s)						
Christopher Chong Meng Tak ⁽²⁾	11,082,200	1.15	–	–	11,082,200	1.15
Tan Thiam Hee ⁽³⁾	360,000	0.04	–	–	360,000	0.04
Zhu Xiaolin	169,410,864	17.61	30,469,900 ⁽⁴⁾	3.17	199,880,464	20.78
Wong Pak Him Patrick ⁽⁵⁾	81,212,921	8.44	–	–	81,212,921	8.44
Peter Tan ⁽⁶⁾	–	–	–	–	–	–
Teo Cheng Kwee ⁽⁷⁾	59,281,760	6.16	–	–	59,281,760	6.16
Substantial Shareholder(s)						
Zhang Xiang	89,000,000	9.25	–	–	89,000,000	9.25

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Notes:

- (1) Calculated based on 962,166,934 Shares in the capital of the Company.
- (2) Mr Christopher Chong Meng Tak has interests in 2,000,000 Outstanding Options.
- (3) Mr Tan Thiam Hee has interests in 5,000,000 Outstanding Options.
- (4) Mr Zhu Xiaolin is deemed interested in 30,469,900 shares held by Philip Securities Pte Ltd as his nominee.
- (5) Mr Wong Pak Him Patrick has interests in 2,000,000 Outstanding Options.
- (6) Mr Peter Tan has interests in 2,000,000 Outstanding Options.
- (7) Mr Teo Cheng Kwee has interests in 2,000,000 Outstanding Options.

- 3.2** None of the Directors or Substantial Shareholders has any interest, direct or indirect, in the proposed renewal of the Share Purchase Mandate other than through their respective shareholdings (if any) in the Company.

4 DIRECTORS' RECOMMENDATION

- 4.1** After having considered, amongst other things, the rationale for the proposed renewal of the Share Purchase Mandate, the Directors are of the view that the Share Purchase Mandate is in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend that the Shareholders vote in favour of the proposed renewal of the Share Purchase Mandate.

- 4.2** In giving the above recommendation, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require specific advice in relation to his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional advisers.

5 ANNUAL GENERAL MEETING

The AGM, notice of which is set out on pages 160 to 166 of the Annual Report 2017, will be held at 55 Market Street, #03-01, Singapore 048941 on 26 April 2018 (Thursday) at 9.30 a.m., for the purpose of considering and, if thought fit, passing with or without modification the resolutions set out in the Notice of AGM.

6 ACTION TO BE TAKEN BY THE SHAREHOLDERS

- 6.1** Shareholders who are unable to attend the AGM and who wish to appoint a proxy or proxies to attend and vote on their behalf should complete, sign and return the Proxy Form attached to the Notice of AGM in accordance with the instructions printed therein as soon as possible and, in any event, so as to arrive at the office of the Share Registrar, B.A.C.S. Private Limited, at 8 Robinson Road #03-00, ASO Building, Singapore 048544, not less than 72 hours before the time for holding the AGM. The appointment of a proxy or proxies by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes in place of the proxy or proxies.

- 6.2** A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register maintained by CDP at least 72 hours before the AGM.

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7 DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Letter and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this Letter constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Letter misleading. Where information in the Letter 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 the Letter in its proper form and context.

8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 80 Raffles Place #26-05 UOB Plaza 1 Singapore 048624 during normal business hours from the date of this Letter up to and including the time and date of the AGM:

- (a) the Constitution; and
- (b) the Annual Report 2017.

Yours faithfully

For and on behalf of the Board of Directors of
EMERGING TOWNS & CITIES SINGAPORE LTD.

Christopher Chong Meng Tak
Non-Executive Group Chairman

