

EMERGING TOWNS & CITIES SINGAPORE LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 198003839Z)

QUALIFIED OPINION BY INDEPENDENT AUDITOR IN THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2024

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the board of directors (the "**Board**") of Emerging Towns & Cities Singapore Ltd. (the "**Company**", together with its subsidiaries, collectively the "**Group**") wishes to announce that the Company's independent auditor, Foo Kon Tan LLP, had issued a qualified opinion on the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2024 ("**FY2024**") ("**Independent Auditor's Report**"). The basis for the Qualified Opinion is in relation to the opening balances and comparative information and discontinued operations.

A copy of the Independent Auditor's Report and an extract in relation to the Qualified Opinion are attached to this announcement. Shareholders of the Company are advised to read the Independent Auditor's Report and the audited consolidated financial statements of the Group for FY2024 ("**Audited Financial Statements**") in its entirety in the annual report for FY2024, which will be announced by the Company on SGXNET on 6 June 2025.

The shares in the Company have been suspended from trading on the SGX-ST since 3 March 2021. In the meantime, Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company. Shareholder and potential investors should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers if they have any doubt about the actions they should take.

BY ORDER OF THE BOARD

Tan Swee Gek
Company Secretary

6 June 2025

*This announcement has been reviewed by the Company's Sponsor, RHT Capital Pte. Ltd. (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**Exchange**") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

The contact person for the Sponsor is Mr. Joseph Au at 36 Robinson Road, #10-06 City House, Singapore 068877, Email: sponsor@rhtgoc.com.

Independent auditor's report to the members of Emerging Towns & Cities Singapore Ltd.

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Emerging Towns & Cities Singapore Ltd. (the “Company”) and its subsidiaries (the “Group”), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements are properly drawn up in accordance with the provisions of the Companies Act 1967 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2024 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Qualified Opinion

Opening balances and comparative information

We had issued a disclaimer of opinion on the financial statements for the financial year ended 31 December 2023 (“FY2023”) on 5 April 2024 in respect of (i) use of going concern assumption; (ii) net realisable value of development properties; (iii) disposal group classified as held for sale and discontinued operations; and (iv) opening balances and comparative information.

In respect of the use of going concern assumption in the preparation of the financial statements for FY2023, the Group and the Company had net current liabilities of S\$15,404,000 and S\$2,248,000, respectively, as at 31 December 2023. The Group had also incurred a net loss of S\$23,156,000 for FY2023. As disclosed in Note 19(i) to the financial statements, the Group did not meet the financial covenants and did not make full payment for a facility fee that was due in respect of its bank loan during FY2023, resulting in the loan being repayable on demand. Consequently, the bank loan of S\$45,188,000 had been wholly classified as current as at 31 December 2023. The Group had borrowings amounting to S\$46,177,000 which were due for repayment within the next 12 months or on demand, with cash and bank balances of S\$4,562,000 as at 31 December 2023. In addition, as disclosed in Note 17 to the financial statements, the Group did not make full payment in respect of the annual land lease premium which was due.

The Group's working capital as at 31 December 2023 primarily comprised development properties in Myanmar. The challenging conditions and events which had an adverse impact on the property market in Myanmar had affected the realisation of the Group's development properties, resulting in a significant strain on its cash flows. The aforementioned conditions and events gave rise to material uncertainties on the ability of the Group and the Company to continue as going concern. Based on the information available to us, we were not able to obtain sufficient appropriate audit evidence to satisfy ourselves whether the use of the going concern assumption was appropriate. In addition, with regards to the default in annual land lease premium payment, we were unable to determine whether any adjustments or the extent of which might have been necessary on the financial statements for FY2023.

Independent auditor's report to the members of Emerging Towns & Cities Singapore Ltd. (cont'd)

Basis for Qualified Opinion (Cont'd)

Opening balances and comparative information (cont'd)

With regards to the net realisable value of development properties as at 31 December 2023, we were unable to obtain sufficient appropriate audit evidence to assess the realisability of the development properties and ascertain their net realisable values as at 31 December 2023 and write-down to be recognised in profit or loss for FY2023. Consequently, we were unable to satisfy ourselves as to the appropriateness of the carrying amount of the Group's development properties of S\$80,320,000 as at 31 December 2023 and the allowance for foreseeable losses on development properties and relevant disclosures in the financial statements for FY2023.

In relation to the classification of disposal group as held for sale as at 31 December 2023 and presentation of discontinued operations for FY2023, as disclosed in Note 2(a) to the financial statements, the Company had entered into a sale and purchase agreement on 1 July 2023 for the disposal of the 100% equity interest in DAS Pte. Ltd. ("DAS") held by the Company. We were unable to obtain sufficient appropriate audit evidence in respect of management's assessment that the criteria under SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* were not met, and that the investment of the Company in DAS and disposal group relating to DAS and its subsidiaries were not classified as held for sale and the operations of DAS and its subsidiaries were not presented as discontinued operations, and to determine any adjustments thereon, including any impairment losses to be recognised to write down the investment of the Company in DAS and disposal group relating to DAS to be classified as held for sale to fair value less costs to sell, in accordance with SFRS(I) 5.

In view of the matters above, we are unable to determine whether the opening balances of the assets and liabilities of the Group and the Company as at 1 January 2024 are appropriately stated. Accordingly, any adjustments found to be necessary may significantly affect the Group's financial performance, changes in equity and cash flows for FY2024 and the related disclosures in the notes to the financial statements for FY2024. In addition, there is a possible effect of these matters on the comparability of the current year's figures and the corresponding figures.

Discontinued operations

As disclosed in Note 27 to the financial statements, on 26 December 2024, the Company completed the disposal of its 100% equity interest in DAS. Total loss from discontinued operations for FY2024 amounted to S\$75,221,000, comprising loss attributable to discontinued operations and loss on disposal of subsidiaries of S\$37,118,000 and S\$38,103,000, respectively. Arising from the carry-forward effects of opening balances as described in the preceding paragraph, we are unable to satisfy ourselves as to the appropriateness of the total loss from discontinued operations of S\$75,221,000 for FY2024. In addition, we have been unable to obtain sufficient appropriate audit evidence in respect of certain significant account balances making up the disposal group, including the valuation of investment properties and net realisable value of development properties, as at the date of disposal. Consequently, we are unable to satisfy ourselves as to the appropriateness between the loss attributable to discontinued operations of S\$37,118,000 and the loss on disposal of subsidiaries of S\$38,103,000 for FY2024. We are also unable to satisfy ourselves as to the presentation and disclosures relating to disposal group, discontinued operations and disposal of subsidiaries in the financial statements for FY2024 and FY2023.

Independent auditor's report to the members of Emerging Towns & Cities Singapore Ltd. (cont'd)

Basis for Qualified Opinion (Cont'd)

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (“ACRA”) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (“ACRA Code”) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matters described in the *Basis for Qualified Opinion* section, we have determined the matter described below to be the key audit matter to be communicated in our report.

Key audit matter	Our responses and work performed
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Revenue recognition (refer to Note 2(d) and 21 to the financial statements)	
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Revenue recognition is a significant risk area, particularly in respect of the risks of management override and cut-off of revenue, to depict the transfer of control of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services before revenue is recognised.	
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Under SSA 240 The Auditor's Responsibility to Consider Fraud in an Audit of Financial Statements, revenue recognition is a presumed fraud risk. Material misstatement due to fraudulent financial reporting relating to revenue recognition often results from an overstatement of revenues through, for example, premature revenue recognition, recording fictitious revenues, or improperly shifting revenues to a later period.	
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Our audit procedures included testing the Group's key internal controls over revenue. We assessed whether the revenue recognition policies adopted complied with SFRS(I) 15 <i>Revenue from Contracts with Customers</i> as detailed in Note 2(d) to the financial statements. We tested selected revenue transactions by assessing the revenue recognition procedures in accordance with SFRS(I) 15 and verifying to the relevant supporting source documents. We also performed revenue cut-off test to ascertain that sales were recorded in the correct accounting period. In addition, we considered the adequacy of disclosures in the financial statements.	
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Independent auditor's report to the members of Emerging Towns & Cities Singapore Ltd. (cont'd)

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. As described in the *Basis for Qualified Opinion* section above, we are unable to determine whether the opening balances of the assets and liabilities of the Group and the Company as at 1 January 2024 are appropriately stated. Accordingly, any adjustments found to be necessary may significantly affect the Group's financial performance, changes in equity and cash flows for FY2024 and the related disclosures in the notes to the financial statements for FY2024. In addition, there is a possible effect of these matters on the comparability of the current year's figures and the corresponding figures. We are also unable to satisfy ourselves as to the appropriateness between the loss attributable to the disposal group and the loss on disposal of subsidiaries for FY2024. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to these matters.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Independent auditor's report to the members of Emerging Towns & Cities Singapore Ltd. (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

Independent auditor's report to the members of Emerging Towns & Cities Singapore Ltd. (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporation incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Cheong Wenjie.

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants
Singapore

6 June 2025