

EMERGING TOWNS & CITIES SINGAPORE LTD.

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

PROPOSED ACQUISITION OF 61% EQUITY INTEREST OF RED ROOF INVESTMENT DEVELOPMENT CO., LTD.

1. INTRODUCTION

1.1. Sale and Purchase Agreement

The Board of Directors of Emerging Towns & Cities Singapore Ltd. ("**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's wholly-owned subsidiary, Futura Asset Holdings Pte. Ltd. ("**Futura**"), has on 14 November 2017, entered into a sale and purchase agreement (the "**SPA**") with Thu Kha Yadanar Co., Ltd. ("**Thu Kha**"), pursuant to which Thu Kha has agreed to procure the sale and transfer of and Futura has agreed to acquire 152,500 issued and paid-up shares (the "**Purchased Shares**") (representing 61% of the equity interest) of Red Roof Investment Development Co., Ltd. (the "**Target**") held by a third party (the "**Proposed Acquisition**").

1.2. Rule 704(16)(c) of the Catalist Rules

Assuming the completion of the Proposed Acquisition, the Target will become a subsidiary of the Company.

2. INFORMATION ON THU KHA

Thu Kha is an investment holding company incorporated in Myanmar in August 2009 and having its registered office at Room No.B, Business Center, City Golf Resort Hotel, Thirimingalar Road, Ywarma (East) Ward, Insein Township, Yangon Region, Myanmar. Mr Tin Tun Oo owns 40% of Thu Kha and, together with his immediate family, controls Thu Kha. Mr Tin is a prominent businessman and as well as Vice Chairman of JL Group Myanmar. JL Group was founded in 1995 and its businesses are diversified across a broad range of industries including forestry, manufacturing, international trading, financial technology, real estate, hospitality and infrastructure development.

As at the date hereof, Thu Kha owns 39% of the entire issued and paid up share capital of the Target. As Thu Kha is not disposing any of its interest in the Target in connection with the Proposed Acquisition, assuming the completion of the Proposed Acquisition, Thu Kha will continue to own 39% of the entire issued and paid up share capital of the Target.

Thu Kha is not related to the Directors or substantial shareholders of the Company.

There was no introducer in respect of the Proposed Acquisition.

3. INFORMATION ON THE TARGET

The Target (Company Registration Number 271FC/2017-2018(YGN)) is a company incorporated in Myanmar with its registered office at Olympic Hotel, National Swimming Pool Compound, U Wisara Road, Dagon Township, Yangon. The Target owns and is the developer of the Thu Kha Yadanar Residence project, a major residential development at Min Ye Kyaw Zwa Road in the Lan Ma Taw township of Yangon, Myanmar (the "**Thu Kha Yadanar Project**"). The Thu Kha Yadanar Project has a site area of approximately 20,153 square metres and is due to comprise, *inter alia*, 652 apartment units and a club house with gross floor area of approximately 85,190 square metres. The Thu Kha Yadanar Project is the sole development of the Target Company.

4. PRINCIPAL TERMS OF THE PROPOSED ACQUISITION

4.1. Completion

The completion of the Proposed Acquisition (the “**Completion**”) shall take place within five (5) business days from the satisfaction of the Acquisition Conditions Precedent (as defined in Section 4.3 below).

4.2. Consideration and Satisfaction of Consideration

The aggregate consideration payable by Futura for the Proposed Acquisition (the “**Consideration**”) is US\$24.4 million (approximately S\$33.1 million based on the exchange rate of US\$1.00: S\$1.355 as set out in the SPA) or if required by Futura, such lesser amount as agreed between Thu Kha and Futura after completion of Futura’s due diligence investigations in respect of the Target as set out in Section 4.3(f) below.

For the avoidance of doubt, Futura shall not be required to pay the third party transferor any amounts for the Purchased Shares.

The Consideration shall be satisfied in notes or shares or such combination of notes and shares as Futura may in its sole discretion decide. If applicable, the Consideration to be satisfied in notes shall be satisfied by the procurement by Futura of the issuance by ETC Singapore to Thu Kha of an interest-bearing note (the “**Note**”). If applicable, the Consideration to be satisfied in shares shall be satisfied by the procurement by Futura of the issuance by the Company of such number of ordinary shares in the share capital of the Company, at the issue price of S\$0.09 per share to Thu Kha and/or its nominee(s) (the “**Consideration Shares**”).

As Futura has discretion as to the payment of the Consideration in notes and/or shares and the Consideration may be adjusted to such lesser amount as agreed between Thu Kha and Futura after completion of Futura’s due diligence investigations in respect of the Target as set out in Section 4.3(f) below, the actual number of Consideration Shares to be issued is not definitive as at the date hereof. For illustrative purposes only, assuming the Consideration will be US\$24.4 million and satisfied fully in shares, an aggregate of 367,355,556 ordinary shares in the Company will be issued as Consideration Shares.

The Consideration was arrived at after arms’ length negotiations, on a willing buyer willing seller basis, after taking into account, *inter alia*, the value of the Target as set out in Section 5.1 of this Announcement.

4.3. Conditions Precedent

Thu Kha and Futura agree that the Proposed Acquisition shall be conditional upon the satisfaction and/or written waiver of, *inter alia*, the following conditions:

- (a) completion of a valuation of the Target by an independent internationally recognised valuer to the satisfaction of Futura (acting reasonably), (the “**Valuation**”), and such valuer shall be mutually agreed between Thu Kha and Futura and appointed by Futura;
- (b) to the extent required by the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and/or applicable laws, approval from the Shareholders of the Company having been obtained for the entry into and completion of, the transactions (including but not limited to the issue of the Consideration Shares, if applicable) contemplated to be entered into in the SPA;

- (c) all necessary consents, approvals and waivers of the Myanmar Investment Commission and any other governmental or regulatory bodies in Myanmar having jurisdiction over the Target, the third party transferor or Thu Kha having been obtained or procured by Thu Kha in respect of the transactions contemplated in the SPA, and where any such consent, approval or waiver is subject to any conditions, such conditions being reasonably acceptable to the party on which they are imposed, and if such conditions are required to be fulfilled before completion of the Proposed Acquisition, such conditions being fulfilled before completion of the Proposed Acquisition, as the case may be, and such consents, approvals or waivers not being revoked or repealed on or before completion of the Proposed Acquisition, as the case may be;
- (d) all necessary consents, approvals and waivers, if any, from third parties (including without limitation, rights of pre-emption or first refusal and any change of control consents) or relevant authorities or competent authorities having jurisdiction over the sale of the Purchased Shares (including without limitation but only where required, by the Company's Sponsor, the SGX-ST and the relevant licensing authorities) and where any such consent, approval or waiver is subject to any conditions, such conditions being reasonably acceptable to the party on which they are imposed, and if such conditions are required to be fulfilled before completion of the Proposed Acquisition, such conditions being fulfilled before completion of the Proposed Acquisition, as the case may be, and such consents, approvals or waivers not being revoked or repealed on or before completion of the Proposed Acquisition, as the case may be;
- (e) if applicable, a listing and quotation notice for the listing and quotation of the Consideration Shares to be allotted and issued pursuant to the Proposed Acquisition on Catalist having been obtained from the SGX-ST and not revoked or amended and, where such approval is subject to conditions, such conditions being reasonably acceptable to Thu Kha and Futura and if such conditions are required to be fulfilled before completion of the Proposed Acquisition, such conditions being fulfilled before completion of the Proposed Acquisition; and
- (f) completion of Futura's due diligence investigations in respect of the Target and the results thereof being satisfactory to Futura in its sole determination, including but not limited to the delivery or procurement of the delivery by Thu Kha to Futura of documentation evidencing that the third party transferor is the legal and beneficial owner of the Purchased Shares,

(collectively, the "**Acquisition Conditions Precedent**").

5. VALUE OF THE TARGET AND GAIN FROM THE PROPOSED ACQUISITION

5.1. Value of the Target

Based on the latest unaudited pro forma financial statements of the Target as at 31 March 2017, the book value and net tangible liabilities of the Target was approximately S\$13.6 million and the book value and net tangible liabilities of the Target attributable to the Purchased Shares was approximately S\$8.3 million.

5.2. Profits attributable to the Purchased Shares

Assuming that the Proposed Acquisition was completed on 31 December 2016 and taking into account any associated costs and liabilities of the Proposed Acquisition (i.e. approximately S\$11.7 million), the net loss attributable to the Purchased Shares will be approximately S\$7.2 million.

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

6. SOURCE OF FUNDS

The payment of the principal amount and interest accrued thereon under the Note, if applicable, will be fully funded through internal resources of the Group. Other than the Note, the Consideration will be fully satisfied by the issue of the Consideration Shares.

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

The relative figures computed on the relevant bases set out in Rule 1006 of the Catalist Rules in respect of the Proposed Acquisition and based on the latest announced consolidated financial statements of the Group for the third quarter ended 30 September 2017 (“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	Not applicable as there is no disposal of assets.
(b)	The net profits ⁽¹⁾ attributable to the Proposed Acquisition, compared with the Group's net profits	-29.3% ⁽²⁾
(c)	The aggregate value of the consideration of US\$24,400,000 ⁽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	44.9%
(d)	The number of equity securities issued by the Company of 367,355,556 ⁽⁵⁾ as consideration for the Proposed Acquisition, compared with the number of equity securities previously in issue of 962,166,934	38.2%
(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 loss attributable to the Purchased Shares of approximately S\$0.9 million based on the unaudited pro forma financial statement of the Target as at 30 September 2017 (including associated transaction cost to be incurred for the Proposed Acquisition of S\$0.2 million) whilst the Group posted a net profit of approximately S\$3.1 million, based on the latest announced consolidated financial statements of the Group for 3Q2017.
- (3) As the consideration may be adjusted to a lesser amount as agreed between Thu Kha and Futura after completion of Futura's due diligence investigations in respect of the Target as set out in Section 4.3(f) above, the consideration is not definitive as at the date hereof. For illustrative purposes only, assuming the consideration will be US\$24,400,000, the aggregate value of the consideration of US\$24,400,000 is equivalent to approximately S\$33,062,000 based on the exchange rate of US\$1.00: S\$1.355 as set out in the SPA.

- (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 the SPA was signed.
- (5) As Futura has discretion as to the payment of the Consideration in notes and/or shares and the consideration may be adjusted to such lesser amount as agreed between Thu Kha and Futura after completion of Futura’s due diligence investigations in respect of the Target as set out in Section 4.3(f) above, the actual number of equity securities to be issued as consideration is not definitive as at the date hereof. For illustrative purposes only, assuming the consideration will be US\$24,400,000 and satisfied fully in shares, the number of equity securities to be issued by the Company is 367,355,556.

As the relative figure computed on the base set out in Rule 1006(b) of the Catalist Rules is a negative figure, the Company shall through its Sponsor, consult with the SGX-ST and seek its confirmation that the Proposed Acquisition would constitute a “**discloseable transaction**” under Chapter 10 of the Catalist Rules and would not be subject to the approval of Shareholders. The Company will update shareholders on the outcome of such consultation in due course.

8. RATIONALE FOR THE PROPOSED ACQUISITION

The Proposed Acquisition is in line with the Group’s growth strategy that focuses on development and investment properties in emerging countries. Driven by the lack of quality supply, Yangon’s luxury real estate market presently witnesses strong uptake in demand by the increasingly affluent locals. Given Yangon’s rapid transformation into a key residential and commercial powerhouse, the Company anticipates that the valuation of the Thu Kha Yadanar Project will continue to appreciate along with the surrounding area’s growth. The Thu Kha Yadanar Project has the potential to generate good development returns and yield. Further, given the strategic location and the timing of the Proposed Acquisition, the Company believes that the Proposed Acquisition will bolster the Group’s real estate portfolio and enhance Shareholders’ value.

Further, as Futura has full discretion for the Consideration to be satisfied by the issue of Consideration Shares, the Proposed Acquisition will strengthen the Company’s balance sheet and will minimise impact on the cash flow of the Company.

9. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

9.1. Bases and Assumptions

For the purposes of illustration only, the *pro forma* financial effects of the Proposed Acquisition 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 the financial period ended 31 December 2016 (“**FY2016**”) and do not necessarily reflect the actual future financial position and performance of the Group following completion of the Proposed Acquisition 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 Acquisition 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 was restated and presented in SGD. Specifically, the assets and liabilities of the Company and of the Group as at 31 December 2016 was translated from RMB to SGD at the closing exchange rates as at 31 December 2016, while the income expense items of the Company and of the Group for the year ended 31 December 2016 was translated at the average rate during the said period.

9.2. Share Capital

The *pro forma* financial effects of the Proposed Acquisition on the share capital of the Company for FY2016 after adjusting for the shares issued by the Company from 1 January 2017 to the date of this Announcement (the “2017 Shares”) are as follows:

	Before the Proposed Acquisition	After the Proposed Acquisition
Number of issued Shares	962,166,934	1,329,522,490 ⁽¹⁾
Amount of share capital (S\$)	32,841,618	65,903,618 ⁽¹⁾

Note:

- (1) As Futura has discretion as to the payment of the Consideration in notes and/or shares and the consideration may be adjusted to such lesser amount as agreed between Thu Kha and Futura after completion of Futura’s due diligence investigations in respect of the Target as set out in Section 4.3(f) above, the actual number of equity securities to be issued as consideration is not definitive as at the date hereof. For illustrative purposes only, assuming the consideration will be US\$24,400,000 and satisfied fully in shares, the number of equity securities to be issued by the Company is 367,355,556.

9.3. Net Tangible Assets (“NTA”)

Assuming that the Proposed Acquisition was 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 Acquisition, the *pro forma* financial effects of the Proposed Acquisition on the consolidated NTA of the Group are as follows:

	As at 31 December 2016	
	Before the Proposed Acquisition	After the Proposed Acquisition
NTA of the Group (S\$’000)	94,187	80,619 ⁽¹⁾
Number of Shares	962,166,934	1,329,522,490 ⁽²⁾
NTA per share (cents)	9.79	6.06 ⁽²⁾

Notes:

- (1) The NTA of the Target as at 31 March 2017 which was taken into consideration to arrive at the post-acquisition NTA of the Group does not represent the audited NTA at the date of completion given that it may change upon finalisation of the “Purchase Price Allocation” exercise, which is to be conducted by an independent valuer in determining the fair values of the identifiable assets acquired and liabilities assumed.
- (2) As Futura has discretion as to the payment of the Consideration in notes and/or shares and the consideration may be adjusted to such lesser amount as agreed between Thu Kha and Futura after completion of Futura’s due diligence investigations in respect of the Target as set out in Section 4.3(f) above, the actual number of equity securities to be issued as consideration is not definitive as at the date hereof. For illustrative purposes only, assuming the consideration will be US\$24,400,000 and satisfied fully in shares, the number of equity securities to be issued by the Company is 367,355,556.

9.4. Earnings Per Share (“EPS”)

Assuming that the Proposed Acquisition 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 Acquisition, the *pro forma* financial effects of the Proposed Acquisition on the consolidated EPS of the Group are as follows:

	For FY2016	
	Before the Proposed Acquisition	After the Proposed Acquisition
Net profit attributable to Shareholders (S\$’000)	13,545	6,502 ⁽¹⁾
Weighted Average Number of Shares	887,897,100	1,255,252,655 ⁽²⁾
EPS per share (cents)	1.53	0.52 ⁽²⁾

Notes:

- (1) The effect of the Proposed Acquisition on the loss after tax and minority interest of the Company has been computed based on the Group’s share of the Target’s net loss after tax and minority interest of approximately US\$ 11.1 million as per its unaudited pro forma financial statements for the financial year ended 31 March 2017.
- (2) As Futura has discretion as to the payment of the Consideration in notes and/or shares and the consideration may be adjusted to such lesser amount as agreed between Thu Kha and Futura after completion of Futura’s due diligence investigations in respect of the Target as set out in Section 4.3(f) above, the actual number of equity securities to be issued as consideration is not definitive as at the date hereof. For illustrative purposes only, assuming the consideration will be US\$24,400,000 and satisfied fully in shares, the number of equity securities to be issued by the Company is 367,355,556.

9.5. Gearing⁽¹⁾

Assuming that the Proposed Acquisition 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 Acquisition, the *pro forma* financial effects of the Proposed Acquisition on the gearing of the Group are as follows:

	As at 31 December 2016	
	Before the Proposed Acquisition	After the Proposed Acquisition
Total Debts (S\$’000)	22,496	42,087
Total Equity (S\$’000)	136,272	122,704
Gearing Ratio (times)	0.17	0.34

Notes:

- (1) Gearing is calculated based on the assumption that the convertible substantial shareholder loan owing to Mr Luo Shandong has been converted into equity as at 31 December 2016.

- (2) The debts and equity of the Target as at 31 March 2017 which was taken into consideration to arrive at the post-acquisition debts and equity of the Group does not represent the audited values at the date of completion given that they may change upon finalisation of the "Purchase Price Allocation" exercise, which is to be conducted by an independent valuer in determining the fair values of the identifiable assets acquired and liabilities assumed.

10. 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 Acquisition, other than through their respective shareholdings in the Company.

11. DIRECTORS' SERVICE CONTRACTS

As at the date of this Announcement, no person is proposed to be appointed as a Director in connection with the Proposed Acquisition. Accordingly, as at the date of this Announcement, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Acquisition.

12. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA 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.

13. 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, this Announcement constitutes full and true disclosure of all material facts about the Proposed Acquisition, 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.

14. FURTHER ANNOUNCEMENTS

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

15. CAUTION IN TRADING

Shareholders are advised to exercise caution in trading their shares as there is no certainty or assurance as at the date of this Announcement that the Proposed Acquisition will proceed to completion, as the 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

Christopher Chong Meng Tak
Non-Executive Group Chairman

14 November 2017

*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.

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