

EMERGING TOWNS & CITIES SINGAPORE LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 198003839Z)

LEGAL ACTION IN RESPECT OF UNAUTHORISED WITHDRAWALS FROM HUIZHOU DAYA BAY MEI TAI CHENG PROPERTY DEVELOPMENT CO., LIMITED

1. The Board of Directors (the “**Board**”) of Emerging Towns & Cities Singapore Ltd. (the “**Company**”) wishes to announce that the Company is taking legal action in respect of unauthorised withdrawals of funds from Huizhou Daya Bay Mei Tai Cheng Property Development Co., Limited (“**Huizhou Daya Bay**”). The Company holds a 60% equity interest in Huizhou Daya Bay through the Company’s wholly-owned subsidiary Cedar Properties Pte. Ltd. (“**CPPL**”).
2. A total of RMB 118 million has been transferred from Huizhou Daya Bay to Huizhou Daya Bay Dong Gang Industrial Co., Limited (“**Dong Gang**”) and Hunan Toener Investment Group Co., Limited (“**Toener Investment Group**”) between 3 July 2017 and 25 October 2017 without prior approval of the Board or Huizhou Daya Bay’s Board of Directors (the “**Unauthorised Withdrawals**”). Dong Gang and Hunan Toener are both controlled by Mr Luo Shandong (“**Mr Luo**”), who is also a controlling shareholder of the Company.
3. The Company has taken steps to reduce the risk of unauthorised withdrawals from Huizhou Daya Bay. On 7 June 2017, the legal representative of Huizhou Daya Bay and the Non-Executive Group Chairman of the Company, Mr Christopher Chong Meng Tak (“**Mr Chong**”), travelled to the People’s Republic of China (“**PRC**”) to obtain new bank tokens for Daya Bay’s bank accounts. However, Mr Chong was unable to obtain new bank tokens. The Company’s Chief Financial Officer, Mr Joseph Lim, and its Executive Director, Mr Patrick Wong, also travelled to the PRC on 10 July 2017 and requested Huizhou Daya Bay’s staff to hand over possession of Huizhou Daya Bay’s existing bank tokens. Huizhou Daya Bay’s staff refused to hand over possession of the bank tokens.
4. The Company has also taken steps to send warnings to Huizhou Daya Bay’s staff. On 17 August 2017, Mr Chong, in his capacity as Huizhou Daya Bay’s legal representative, sent warning letters to the Huizhou Daya Bay staff who were involved in the Unauthorised Withdrawals. On the same day, Mr Chong sent an email to Huizhou Daya Bay’s staff to state that they were required to immediately cease making further unauthorised transfers of funds. Mr Chong sent a further reminder to Huizhou Daya Bay’s staff on 31 October 2017.
5. The Company’s directors have also repeatedly approached Mr Luo to discuss a settlement of the Company’s dispute with Mr Luo and his companies. The Company has not been able to reach a settlement with Mr Luo.
6. On 14 November 2017, the Company instructed its Singapore lawyers to send a letter of demand to Mr Luo, Dong Gang and Toener Investment Group in respect of the Unauthorised Withdrawals (“**Letter of Demand**”). The Letter of Demand stated that the Unauthorised Withdrawals were made in breach of an oral agreement concluded between Mr Luo and the Company in or around May or June 2015 (“**the Oral Agreement**”). The terms of the Oral Agreement included that Mr Luo would comply with all rules and regulations set by the Board for the purpose of ensuring that the Company and its group are properly governed. The Unauthorised Withdrawals were made in breach of that term because the corporate governance rules set by the Board required the prior approval of the Board and Huizhou Daya Bay’s Board of Directors for the Unauthorised Withdrawals, but no such approval was obtained.
7. In its Letter of Demand, the Company has demanded that (i) Mr Luo immediately comply with all rules and regulations set by the Board for the purpose of ensuring that the Company and

its group are properly governed; (ii) Mr Luo, Dong Gang and Toener Investment Group immediately cease making any further unauthorised withdrawals of funds from Huizhou Daya Bay; and (iii) Mr Luo, Dong Gang and Toener Investment Group are to pay RMB 106 million to Huizhou Daya Bay by 20 November 2017, that amount being the total amount of the Unauthorised Withdrawals that has not been returned as at 25 October 2017. The Company also reserved its right to seek damages from Mr Luo, Dong Gang and Toener Investment Group for breach of the Oral Agreement and conspiracy.

8. The Company has also taken legal advice from lawyers from the PRC on the steps that may be taken in respect of the Unauthorised Withdrawals in the PRC, where Huizhou Daya Bay is incorporated. On the advice of the PRC lawyers, the legal representative of Huizhou Daya Bay, Mr Chong, sent a letter of demand to Huizhou Daya Bay's staff members Mr Chen Ke, Ms Liu Zhini and Ms Wu Wenwen on 6 November 2017. The letter of demand dated 6 November 2017 stated that the recipients have made the Unauthorised Withdrawals to other companies without authorisation and demanded that they stop using the company seal and financial books of Huizhou Daya Bay and return them to Mr Chong within 48 hours. There has been no response to-date.
9. The Company is presently unable to commence proceedings in the PRC courts in the name of Huizhou Daya Bay as the Company and CPPL do not have possession of Huizhou Daya Bay's company seal. On the advice of PRC lawyers, CPPL sent a letter on 9 November 2017 to Huizhou Daya Bay's supervisor and an Independent Director of the Company, Mr Peter Tan ("**Mr Tan**"), to request him to initiate legal proceedings against Huizhou Daya Bay's staff members Mr Chen Ke, Ms Liu Zhini and Ms Wu Wenwen. Mr Tan responded on the same day to state that he was unable to initiate legal proceedings for Huizhou Daya Bay because he does not have the company seal and the financial books of Huizhou Daya Bay. The Board understands that Huizhou Daya Bay's company seal and financial books were originally handed to Huizhou Daya Bay's staff for Huizhou Daya Bay's day-to-day operations in the PRC. Huizhou Daya Bay's staff have now failed or refused to return Huizhou Daya Bay's company seal and financial books to Mr Tan. The Company and CPPL have therefore instructed its PRC lawyers to commence a shareholder's derivative suit in the PRC courts in respect of the Unauthorised Withdrawals.
10. Despite the commencement of legal action, the Group would like to assure all shareholders that business operations of the Group remain largely unaffected. The Board also wishes to highlight that the financial impact of the Unauthorised Withdrawals on the Company is not expected to be material because the companies which received the Unauthorised Withdrawals are owed around RMB 88 million by Huizhou Daya Bay pursuant to various loan agreements. Huizhou Daya Bay owes a further sum of around RMB 24 million to other companies controlled by Mr Luo pursuant to other loan agreements. Each of these loans is due to be repaid on 31 December 2017. The Company also owes Mr Luo a sum of around US\$23.9 million (equivalent to about RMB 159 million at the prevailing exchange rate) pursuant to a Convertible Loan Agreement dated 25 January 2017 which is due on 25 April 2018. The Company is exploring the possibility of offsetting the Unauthorised Withdrawals against the amounts that the Company and its group owes Mr Luo and his companies.
11. The Board will make further announcements on any material developments, as and when required.

By Order of the Board

Mr 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.

The details of the contact person for the Sponsor is:

Name: Mr. Nathaniel C.V. (Registered Professional, RHT Capital Pte. Ltd.)

Address: 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619

Tel: 6381 6757