

EMERGING TOWNS & CITIES SINGAPORE LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 198003839Z)

DISCLAIMER OF OPINION BY INDEPENDENT AUDITOR IN THE AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Pursuant to Rule 704(4) of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited, the board of directors (the "**Board**") of Emerging Towns & Cities Singapore Ltd. (the "**Company**", and together with its subsidiaries, the "**Group**") wishes to announce that the Company's independent auditor, Foo Kon Tan LLP, had issued a disclaimer of 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 2021 ("**FY2021**") ("**Independent Auditor's Report**"). The basis for the Disclaimer of Opinion is in relation to (i) use of going concern assumption, (ii) net realisable value of development properties, (iii) independent reviews and (iv) opening balances and comparative information.

A copy of the Independent Auditor's Report and an extract in relation to the Disclaimer of Opinion are attached to this announcement. Shareholders of the Company are advised to read the Independent Auditors' Report, the audited consolidated financial statements of the Group for FY2021 in its entirety in its annual report for FY2021, which will be announced by the Company on SGXNET on 6 April 2022.

Notwithstanding the above, the Board is of the opinion that the Group will be able to continue as a going concern and the Audited Financial Statements have been prepared on a going concern basis for the following reasons:

- (i) The Group generated net operating cash inflows of \$3,827,000 for FY2021.
- (ii) The Group had net current assets and net assets of \$34,649,000 and \$99,730,000, respectively, as at 31 December 2021 while the Company had net assets of \$33,760,000 as at 31 December 2021.
- (iii) In respect of the bank loan of \$55,173,000, the Group had negotiated the repayment terms with the bank and obtained a temporary relief through the revision of the repayment schedule. The next principal repayment of US\$4,130,000 is scheduled on 8 March 2023, to be made every three months until 8 June 2025. The Group does not expect the bank to call for full repayment of the bank loan for the breach in financial covenant.

In light of the above, the Board is of the opinion that the Group will have sufficient working capital for the next 12 months. The shares of the Company have been suspended from trading on the SGX-ST since 3 March 2021.

In the meantime, the Board wishes to advise shareholders and potential investors to exercise caution when dealing in the shares of the Company. Persons in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD

Tan Swee Gek
Company Secretary

5 April 2022

*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 (the "**SGX-ST**").*

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 contact person for the Sponsor is Ms Bao Qing - Registered Professional, 6 Raffles Quay, #24-02, Singapore 048580, sponsor@rhtqoc.com

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

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were engaged to audit 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 2021, 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 a summary of significant accounting policies.

We do not express an opinion on the accompanying consolidated financial statements of the Group and the statement of financial position of the Company. Because of the significance of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

Use of going concern assumption

For the financial year ended 31 December 2021, the Group incurred a net loss of \$26,355,000. In addition, as disclosed in Note 16(i) to the financial statements, the Group did not meet a financial covenant and did not make payment for a facility fee in respect of its bank loan during the financial year ended 31 December 2021, resulting in the loan being repayable on demand. Consequently, the bank loan of \$55,173,000 had been wholly classified as current as at 31 December 2021. The Group had borrowings amounting to \$61,329,000 due for repayment within the next 12 months or on demand, with cash and bank balances of \$3,844,000 as at 31 December 2021.

The Group's working capital primarily comprises development properties. The extremely challenging conditions and events which have an adverse impact on the property market in Myanmar continue to affect the realisation of the Group's development properties, resulting in a significant strain on its cash flows. The conditions and events above give rise to material uncertainties on the ability of the Group and Company to continue as going concern.

Management has prepared the financial statements on a going concern basis based on the assumptions disclosed in Note 2(a) to the financial statements. However, based on the information available to us, we have not been able to obtain sufficient appropriate audit evidence to satisfy ourselves whether the use of the going concern assumption in preparing these financial statements is appropriate in view of the factors described above.

If the Group and the Company were unable to continue in operational existence, the Group and the Company may be unable to discharge their liabilities in the normal course of business, and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the statements of financial position. In addition, the Group and the Company may need to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. No such adjustments have been made to the financial statements.

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

Basis for Disclaimer of Opinion (Cont'd)

Net realisable value of development properties

Stated on the consolidated statement of financial position as at 31 December 2021 are development properties of \$142,884,000 (Note 7), which are required to be measured at the lower of cost and net realisable value in accordance with SFRS(I) 1-2 *Inventories*. We are unable to obtain sufficient appropriate audit evidence to assess the realisability of the development properties, and ascertain their net realisable values and whether any further write-down should be recognised. Consequently, we are unable to satisfy ourselves as to the appropriateness of the carrying amount and the relevant disclosures of the Group's development properties as at 31 December 2021.

Independent reviews

The Company had appointed independent reviewers to conduct reviews of contractual payments and fund-raising of the Group, and the Group's investment and business activities in Myanmar and Singapore for compliance with applicable laws and on the applicability and effect on the Group's business operations due to the unilateral sanctions imposed on Myanmar. Details of the findings of the independent legal review have yet to conclude. Based on the information available to us, we are unable to determine whether any adjustments might have been necessary in respect of the financial statements of the Group and the Company.

Opening balances and comparative information

We had issued a disclaimer of opinion on the financial statements for the year ended 31 December 2020 on 1 September 2021 in respect of the matters above described in this *Basis for Disclaimer of Opinion* section of our report.

The conditions of the matters above on which we had issued a disclaimer of opinion on the financial statements for the year ended 31 December 2020 remain unchanged. As the closing balances as at 31 December 2020 of the assets and liabilities of the Group and the Company have carry-forward effects and may significantly affect the balances of accumulated profits or losses of the Group and the Company as at 1 January 2021, the financial performance and cash flows for the year ended 31 December 2021, the closing balances of assets and liabilities of the Group and the Company as at 31 December 2021 and the related disclosures in the notes to the financial statements for the year ended 31 December 2021, we are unable to determine whether any adjustments might have been necessary in respect of the financial statements for the year ended 31 December 2021.

In addition, we are unable to determine whether any adjustments might have been necessary in respect of the Group's and the Company's figures as at and for the year ended 31 December 2020 presented as corresponding figures in the financial statements for the year ended 31 December 2021 and the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

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

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 Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International), 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with Singapore Standards on Auditing and to issue an auditor's report. However, because of the matters described in the *Basis for Disclaimer of Opinion* section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

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

Report on Other Legal and Regulatory Requirements

In our opinion, in view of the significance of the matters referred to in the *Basis for Disclaimer of Opinion* section of our report, we do not express an opinion on whether the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations 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

5 April 2022