

# EMERGING TOWNS & CITIES SINGAPORE LTD.

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

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## RESPONSE TO QUERIES BY SGX ON MATTERS PERTAINING TO THE COMPANY'S OPERATIONS IN MYANMAR

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The Board of Directors (the “**Board**”) of Emerging Towns & Cities Singapore Ltd. (the “**Company**” or “**ETC**”, and together with its subsidiaries, the “**Group**”) refers to a report (the “**Report**”) published on the webpage “<https://www.justiceformyanmar.org/stories/singapore-stock-exchange-listed-real-estate-firm-contributes-millions-for-myanmar-army>”. The Board would like to respond to the queries received from Singapore Exchange Regulation (“**SGX**”) in relation to the Report as follows:

### SGX's Query 1

*With reference to the Report, please provide the Company's and the Sponsor's comments on the Report, in particular we require clarity on the issues raised in the Report.*

### Company's response

The Company has been closely following the developments in Myanmar with concern. At this time, the Company's priority is to ensure the safety and well-being of the Group's Myanmar based employees. The Company hopes the situation in Myanmar will not escalate further and that issues can be resolved peacefully.

The Company notes that the Report appears to have extracted information from the Company's various announcements, press releases and annual reports but then added unverified conjecture; the Company does not wish to be drawn into a debate with the anonymous author(s) of the Report but wishes to clarify some of the more glaring implications of wrongdoing referred to in the Report.

Sales for Phase 1 of the Golden City Project commenced in 2014, before the Company's entry into the Myanmar market; Phase 1 of the Golden City Project had already been completed by the time Company first acquired its indirect equity interest in Golden Land Real Estate Development Co., Ltd. (“**GL**”) which owns the Golden City Project. As has been set out in the Company's previous announcements, the Company's interests in GL are held indirectly via its wholly owned subsidiary DAS Pte. Ltd. (“**DAS**”), which in turn holds 70% in Uni Global Power Pte. Ltd. (“**UGP**”). UGP holds 70% of the equity interests in GL. The balance 30% equity interest in GL is held by Nature Link Co., Ltd (“**Nature Link**”), which is beneficially owned by Myanmar nationals. Nature Link provides GL consulting services, including assisting GL in its applications for permits and approvals which GL may require in relation to its operations such as for the importation of materials and machinery.

Prior to the Company's acquisition of equity interests in GL, the Company conducted its own due diligence investigations, including financial due diligence by a “Big Four” accounting firm and legal due diligence by local Myanmar legal counsel. The acquisition was made in compliance with local laws and regulatory requirements, including the necessary disclosure requirements under the Catalist Rules. The Golden City Project is not the Company's first development project; as first announced on 17 October 2016, the acquisition of equity interests in GL was to bolster the Group's real estate portfolio and to enhance shareholders' value. The Company's acquisition of its equity interests in GL was made via a sale by third parties of their original stakes in GL; these third parties and their beneficial owners have been clearly set out in the Company's announcement dated 17 October 2016 and there has been no attempt to hide such beneficial ownership. Please refer to the Company's responses to Query 2 which provides further details regarding how the Company financed its acquisition of its equity interests in GL.

Due to regulatory requirements in Myanmar, foreign investors are not allowed to acquire and own land in Myanmar; accordingly, the build-operate-transfer (“**BOT**”) model is a recognized model used in Myanmar for development projects. The BOT contract for GL is for an initial term of 50 years commencing from 15 October 2013 with another two terms of 10 years each. The Quarter Master

General Office, as lessor and counter-party to the BOT, would be the Myanmar government authority which has the necessary rights to grant the BOT contract encompassing the lease of the land underlying the Golden Land Project.

In 2013, the Ministry of Defense (“MOD”), on behalf of the Government of Myanmar held an open public tender to develop the land where Golden City currently stands. Nature Link was selected as the winning bidder following such open public tender based on considerations and criteria set by MOD.

Subsequently, GL was formed by Nature Link and UGP to enter into the BOT contract with the counter-party, The Quarter Master General Office, Office of the Commander-in-Chief (Army), Nay Pyi Taw. The Company, in accordance with the terms of the BOT contract, pays the fees for the lease of land into an account administered under authority of the Quarter Master General Office. The Quarter Master General Office is, in turn, administered by the MOD under the Myanmar Constitution.

The Union Budget Law FY2020-2021 of 28 August 2020 (Law 17/2020), Chapter 1, Article 2 requires all Union Ministries and Departments, including the MOD to remit all income to the Union Budget Account (“UBA”) and to draw their spending only from the UBA.

Based on the aforementioned laws, the lease payments received from GL pursuant to the BOT contract would not, as a matter of law, have been retained by the MOD; instead, it should be remitted to the UBA for proper appropriation.

The Company has ensured that GL complies with its payment obligations under the BOT contract and all other applicable Myanmar financial and related laws in making such payments. At the same time, the Company is entitled to assume that the application of funds administered by Myanmar government ministries is in conformity with existing provisions of Myanmar law, and as such, makes no comment on the actual use of the lease payments it is obligated to make pursuant to the BOT contract.

In Myanmar, in order for a foreign investor to conduct its investment operations, the necessary licences, permits and approvals, in particular Myanmar Investment Commission’s approval, would need to be obtained. In this regard, the Group has ensured that it has applied to the relevant government authorities/bodies and obtained the necessary licences, permits and approvals in order to conduct its operations in Myanmar. Notably, the Golden City Project, including the BOT contract, was reviewed and approved by the Myanmar Investment Commission, a statutory body then established under the Myanmar Foreign Investment Law (2012) which is composed of representatives from various Myanmar government ministries and agencies and whose task is to verify, review and approve foreign investments into Myanmar, including (as in this case), the terms and conditions of the BOT contract for GL.

GL conducts its business on normal commercial terms. Contracts which GL has entered into such as leases, and marketing, branding and promotional activities with third parties have all been conducted on an arms’ length basis on the usual commercial terms. The Company also notes that there is no ballroom in the Golden City Project which the Report alleges functions have been held.

The Company wishes to emphasise that in its dealings relating to GL and the Golden City Project, it has adhered to and complied with necessary local laws and regulations.

### **Sponsor response**

*As required by the SGX to provide our comments to the issues raised in the Report, we would like to clarify that our comments are not representative of any political stance, representation, advice or opinion on any political matters in relation to the Report. We maintain that our comments are based on publicly available information and disclosures that have been previously made on SGXNET by the Company in accordance with the Catalist Rules and should be read in its entirety.*

ETC is a Singapore incorporated company since 1980 and has remained publicly listed since 1997 under the strict purview of the local regulators. As a listed company on the Catalist on SGX, the Company is obligated to disclose all material information via SGXNET to comply with the Catalist Rules, relevant laws and regulations.

The Company clarified above that they had sought the relevant professional advice and made the relevant disclosures on SGXNET. As highlighted by the Company above, the Golden City Project was awarded through a public tender prior to the Company's acquisition through GL on 17 October 2016. GL had commenced Phase 1 of the Golden City Project since 2014, which would have implied that the relevant regulatory approvals for lease of the land and the conduct of the real estate development would have been obtained prior to any commencement on the construction of the Golden City Project. We also take note that the payment of the land lease is part of the contractual terms of the BOT contract.

Being a single asset company that operates in a capital-intensive industry in an emerging country, operating leverage is paramount in sustaining the operations of its business. Similar to any other businesses (listed or private), fund raising for the purposes of its own working capital or entering into loan facilities with regional institutional banks are permissible ways that any listed Company on SGXNET can choose to undertake according to their business needs, with adequate disclosures on the use of proceeds and material terms to be disclosed via the SGXNET according to the respective Catalyst Rule requirements. In addition, as a Singapore listed company, the Company is also required to undergo annual audits of its accounts by independent professionals, who will issue reports that present a true and fair view of the financial position of the Company.

We note that as at date, there are no sanctions against the Company or any of its Board members and the Company's business operations, although affected, continue to operate.

### **SGX's Query 2**

*Please elaborate on the past funding raising efforts of the Company and explain how the places/investors were introduced to the Company.*

### **Company's response**

The Company was incorporated in 1980 and as such has been in existence for over 40 years. The Company's Management and controlling shareholders have also gone through several changes during this period. We have assumed that SGX's query pertains only to fund raising efforts since the Company's investment in Myanmar.

The Company announced on 17 October 2016 that it had entered into sale and purchase agreements (collectively the "**SPAs**") to acquire shares in DAS which in turn holds 70% of the equity interests in UGP which in turn holds 70% of the equity interests of GL. The completion of the transactions under the SPAs were in December 2016 and February 2017 (due to one of the transactions being an interested person transaction). Accordingly, upon the completion of the SPAs, the Group held equity interests in GL which heralded the commencement of the Company's investment in Myanmar.

On the same day (17 October 2016) the Company entered into the SPAs, the Company entered into a loan agreement with Mr Luo Shandong ("**LSD**") who was then the Company's controlling shareholder. LSD had agreed to grant the Company a loan (the "**LSD Loan**") of an aggregate principal amount of up to US\$5,000,000 at an interest rate of 6% per annum. Prior to the Company entering into the SPAs, DAS itself entered into a loan agreement with LSD (the "**DAS Loan**") for a principal amount of US\$24,125,000 at an interest rate of 6% per annum to finance the acquisition of the Golden City Project. The DAS Loan was subsequently novated to the Company. Subsequent to this, the amounts owing under the LSD Loan and the DAS Loan were converted into a convertible loan agreement for which shares in the Company would be issued to LSD, subject to the terms of the convertible loan agreement, on conversion. Shareholder approval for this series of transactions was sought and more information can be found in the circular to shareholders dated 3 February 2017. Please refer to the circular to shareholders dated 3 February 2017 for further details of the LSD Loan, the DAS Loan and the convertible loan agreement.

As LSD was at the time of entry into the LSD Loan a controlling shareholder of the Company, the then Board and Management of the Company were already familiar with LSD and accordingly had sought to enter into the LSD Loan after negotiations with LSD.

Since the completion of the SPAs, the Company has yet to complete any equity fund raising exercise. The Company has on 13 January 2021 announced that it had entered into share subscription agreements with two subscribers. Details of how these subscribers were introduced to the Company have been set out in announcements released by the Company on 13 January 2021 and 18 January 2021. Please refer to these announcements for further details relating to the subscribers and how they were introduced to the Company.

The Group's companies have entered into financing with certain financial institutions in order to operate the Golden City Project. Such financing, involving regulated and licenced financial institutions, has been conducted in the ordinary course and based on usual commercial terms relating to such transactions.

### **SGX's Query 3**

*Please provide a status update and details of the Golden City project in Myanmar.*

### **Company's response**

The Company had, together with its unaudited full yearly results announcement released on 25 February 2021, included a corporate presentation (the "**Corporate Presentation**"). Slides 10 to 12 of the Corporate Presentation provide an update of the Golden City Project as at 31 December 2020. Please refer to the Company's announcement released on 25 February 2021 for details of such update.

### **SGX's Query 4**

*Please provide a status update on the placement exercise which was announced by the Company on 13 Jan 2021. Such proposed placement and any other fund raising activities should be put on hold until there is clarity on the issues raised in the Report.*

### **Company's response**

The Company understands that the two subscribers referred to in the Company's announcement of 13 January 2021 are currently conducting their due diligence investigations in respect of the Company. The Company's Management has been in contact with the two subscribers and their representatives. The Company is not currently looking into any other fund raising activities other than what has already been announced on 13 January 2021.

The Company has also conducted its own due diligence checks on the background of the two subscribers and their directors and beneficial owners and the proposed placement exercise will, as mentioned in the Company's previous announcements, be subject to shareholders' approval.

### **SGX's Query 5**

*Please note that a company listed on the SGX must demonstrate that it is suitable for listing not only at the time of seeking a listing but also on a continuing basis thereafter. We draw your attention to Catalist Rule 225 read with paragraph 8 of Practice Note 2B.*

*- Para 8(a) requires a sponsor to assess a listing applicant to be suitable for listing and suitable for continued listing.*

*- Para 8(b) states that entities that may be involved in or connected with any money laundering, terrorist financing, or other illicit activities should not be listed.*

*Can the board of ETC and the Sponsor confirm that ETC complied with all Rules, Laws and Regulations and remains suitable to be listed?*

### **Company's response**

The Board confirms that, to the best of its knowledge and belief, the Company has complied with all Rules, Laws and Regulations and remains suitable to be listed.

After consultation with SGX and the Sponsor, the Company has however voluntarily decided to convert the trading halt into a suspension in the trading of its securities. The Board is mindful of the safety of its employees, especially its staff in Myanmar, and is committed to provide more clarity on the unsubstantiated and unverified allegation against the Company. Accordingly, the Company intends to engage with an independent professional to review, *inter alia*, the material contractual payments to the Myanmar government ministries and departments and the fund raising proceeds of the Group in recent years in order to provide assurance to all stakeholders regarding the Group's dealings. The Company shall make the relevant announcement as and when there are any material developments.

The Company wishes to emphasise that the request for voluntary suspension by the Company should not be taken to imply that there has been any wrong-doing on the part of the Company; the request for voluntary suspension is to ensure information which would be important to shareholders is made available to ensure orderly trading in the Company's securities.

### **Sponsor's response**

The Sponsor notes the Company and the Board's proactive measures to voluntarily suspend the trading of its securities so as to engage an independent professional to look into matters relating to the Group dealings as set out above, with the intention to provide assurance to the market and relevant stakeholders. It is to be noted that the political situation in Myanmar continues to evolve and remains unclear at this stage. In light of these developments, the Sponsor is closely monitoring the situation and is, on a continuing basis, engaging with the Company to address any concerns relating to the Company's business dealings.

### **Caution in dealing**

**Shareholders and investors are advised to exercise caution when dealing in the shares of the Company.**

**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**

Mr Tan Thiam Hee  
Group Chief Executive Officer and Executive Director

2 March 2021

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*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"). 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 assume 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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