

EMERGING TOWNS & CITIES SINGAPORE LTD.

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

RESPONSE TO SGX QUERIES ON 13 JANUARY 2021 ANNOUNCEMENT

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 the Company’s announcement dated 13 January 2021 (the “**Announcement**”) in relation to the entry by the Company into share subscription agreements with each of HS Global Group Limited and Nextcore Asset Management Limited. Unless otherwise defined, all capitalised terms herein shall have the meaning ascribed to them in the Announcement. The Board would like to respond to the queries received from Singapore Exchange Regulation (“**SGX**”) in relation to the Announcement as follows:

SGX’s Query 1

It was disclosed that no placement agent was appointed in connection with the Placements. The Subscribers were introduced by a business associate of a Director of the Company. Please disclose if there are any relationships, business or otherwise, between the business associate of a Director of the Company and the Advisor.

Company’s response

To the best of the Company’s knowledge, there are no relationships, business or otherwise between the business associate of the Director and the Advisor.

SGX’s Query 2

The Company intends to use 100% of the net proceeds (which will total approximately S\$39,220,000 assuming the Success Fee is satisfied in full by the issue of the Advisor Shares) for (i) the expansion of the business of the Group through investments, acquisition, joint ventures or strategic alliances or development of new or existing property development projects (85% of Net Proceeds), and (ii) for general working capital purposes (15% of Net Proceeds).

Given that Net Proceeds of S\$39.22m is substantial and is approximately 29% of total equity of the Group as at 30 Jun 2020, please elaborate the following in detail:

- (a) Please list the investments, acquisition, joint ventures or strategic alliances or development of new or existing property development projects that the Company plans to use the Net Proceeds for (S\$33.3m). Please provide the timeline of such plans. If the Company has yet to identify the projects to utilize these funds for, please elaborate on how the quantum of the Placements were derived and agreed upon.

Company’s response

The Company’s main business relates to property development and is by nature a business which is very capital intensive. As of date, the Company has yet to identify the projects to utilize these funds for however it should be noted that without a minimum level of capital, it would not be prudent for the Company to bid for or tender for any development projects. If the Company is in receipt of the Net Proceeds, it would then be placed in a position to identify as well as bid for and tender for development projects ranging from S\$100 to 150 million. Taking into account the amount of time needed for fund raising, it would not be prudent for the Company to bid for or tender for any development projects without having the assurance that it would have the necessary funding in place.

- (b) What the funds allocated to general working capital purposes would be used for (S\$5.9m).

Company's response

The funds amounting to approximately S\$5.9 million would generally be expected to cover the Group's head office expenses, including employees' salaries, legal and professional fees, rental and ancillary head office expenses for the next three years or so.

Pursuant to Rule 704(30) and Rule 1204(22) of the Catalist Rules, the Company will make periodic announcements on the utilisation of the Net Proceeds as and when the Net Proceeds are materially disbursed or utilised, and whether such use is in accordance with the stated use. The Company will also provide a status report on the use of the Net Proceeds in the Company's interim and full year financial statements and the annual report of the Company. Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation. Where the Net Proceeds are to be used for working capital, the Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in its announcements and annual reports.

Pending deployment of the Net Proceeds, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money market instruments or debt instruments or used for any other purposes on a short-term basis, as the Directors may, in their absolute discretion, deem fit from time to time.

SGX's Query 3

In connection with the proposed investment in the Company by prospective investors, the Company had appointed Tayrona Financial Pte Ltd (the "Advisor").

- (a) The Advisor was instrumental in assisting the Company in the preparations, discussions and negotiations in respect of the Placements. Please elaborate on the role of the Advisor. Why is there a need to pay the Advisory Fee of S\$400,000 and Success Fee of S\$1.6m (via allotment of shares) to the Advisor?

Company's response

The Company has since mid 2017 been trying to raise funds via private placements as well as bulk sales of the Group's property units. Prior to appointing the Advisor, the Company had made multiple attempts at fund raising and such efforts were done internally without seeking a third party's assistance; however such efforts at fund raising were unsuccessful. After the multiple unsuccessful attempts at fund raising, the Company then sought the Advisor's assistance and appointed the Advisor.

The role of the Advisor includes, *inter alia*, the following,

- (a) liaising with the Company to prepare and provide necessary information required by the investors ("**Prospective Investors**");
- (b) guiding the Company in all discussions with the Prospective Investors for the Proposed Placements, including, *inter alia*, explaining the Company's conditions and requirements based on actual facts, in connection with the Proposed Placements, for the Prospective Investors' consideration;
- (c) assisting the Company to plan and coordinate all relevant activities in relation to the Proposed Placements;
- (d) assisting the Company to negotiate and review relevant terms and conditions of the Proposed Placements;
- (e) assisting the Company to finalise negotiations with the Prospective Investors and provide necessary support required for the successful legal completion of the Proposed Placements approved by the Company;
- (f) facilitating the completion of the Placements.

The Advisor has spent significant time with the Company for the Proposed Placements and will only be paid upon successful completion of the Proposed Placements.

In light of the previous unsuccessful attempts by the Company to raise funds, the Company sought to negotiate with the Advisor a fee structure such that the fees would be based on a success basis. In addition, the majority of the fees are to be satisfied in the form of shares in the Company which would free up the Company's cash and would not have an impact on the Company's cash flow.

- (b) How and who introduced the Company to the Advisor? Who are the UBOs of the Advisor and are they related to the Company, its directors or its associates?

Company's response

The Company was introduced to the Advisor in 2019 by a Non-Executive Director of the Company. The Company intended to embark on a separate corporate exercise at the time and had appointed the Advisor as the advisor for the corporate exercise then.

Whilst the earlier corporate exercise did not proceed as planned, the Advisor and the Company maintained a cordial working relationship since then.

The ultimate controlling shareholder of the Advisor is Mr Pek Hak Bin. None of the shareholders or directors of the Advisor is related to the Company, its directors or its associates.

- (c) Is it the norm for an advisor to be paid success fees, on top of advisory fees, for the completion of placements? What is the market rate of such services?

Company's response

The Company understands that it is not uncommon for an advisor to be paid a success fee.

The Company also understands that the market rate for such services is about 3% to 5% of gross placements amount in cash.

The fee paid to the Advisor was arrived at arm's length negotiation, taking into consideration, *inter alia*, the size of the transaction, the time spent to conclude the transaction as well as negotiating with two unrelated parties and getting them to agree on common terms and conditions of the Placements.

By Order of the Board

Mr Tan Thiam Hee
Group Chief Executive Officer and Executive Director

18 January 2021

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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