

EMERGING TOWNS & CITIES SINGAPORE LTD.

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

PROPOSED DISPOSAL OF CEDAR PROPERTIES PTE. LTD.

1. INTRODUCTION

1.1. Sale and Purchase Agreement

The Board of Directors (the “**Board**”) of Emerging Towns & Cities Singapore Ltd. (the “**Company**”) and together with its subsidiaries the “**Group**”) refers to the Company’s announcement dated 18 January 2018 (the “**Execution Date**”) in relation to the settlement deed (the “**Settlement Deed**”) entered into on the same date by the Company and Cedar Properties Pte. Ltd. (“**CPPL**”) with Mr Luo Shandong (“**Mr Luo**”) in relation to, *inter alia*, legal action in respect of unauthorised withdrawals from Huizhou Daya Bay Mei Tai Cheng Property Development Co., Limited (“**Huizhou Daya Bay**”) (the “**Settlement Deed Announcement**”).

Unless otherwise defined, all capitalised terms used herein shall bear the same meaning as in the Settlement Deed Announcement.

The Board wishes to announce that pursuant to the terms and conditions of the Settlement Deed, the Company has on the Execution Date, entered into the SPA with Mr Luo, pursuant to which the Company has agreed to sell and Mr Luo has agreed to purchase the Sale Share, representing 100% of the issued and paid-up share capital in CPPL, for an aggregate consideration (the “**Consideration**”) to be negotiated between the Company and Mr Luo based on the Valuation (as defined in Section 4.3 of this Announcement) on the terms and subject to the conditions of the SPA (the “**Proposed Disposal**”).

1.2. Rule 704(17)(c) of the Catalist Rules

As the Sale Share represents the entire interest of the Company in CPPL, the Company will cease to have any interest in CPPL and its subsidiaries (“**CPPL Group**”) and CPPL and its subsidiaries will cease to be subsidiaries of the Company following the completion of the Proposed Disposal. For further details on the CPPL Group, please refer to Section 3 of this Announcement.

2. INFORMATION ON THE PURCHASER

Mr Luo is the founder, and current Chairman and President of Hunan Toener Investment Group Co., Ltd (“**Toener**”), an investment holding company incorporated in Hunan Province, the People’s Republic of China (the “**PRC**”) with core businesses in mining and real-estate development. Mr Luo is also the current President of the Hunan Business Chamber in Sichuan Province, the PRC, having been elected to the position in 2014.

Prior to the establishment of Toener, Mr Luo is experienced in the financial investment and industrial operation sectors, having worked in the same in the provinces of Hunan, Guangzhou and Shenzhen in the PRC. Mr Luo was also the General Manager of Hunan Donggang Construction and Development Co., Ltd. from 1994 to 2004.

Mr Luo graduated with a Bachelor of Business Administration in Finance Management from Hunan University. Mr Luo also obtained an Executive Master of Business Administration from the Cheung Kong Graduate School of Business.

3. INFORMATION ON CPPL

CPPL is a private company limited by shares incorporated in Singapore on 23 September 2015 and having its registered office at 80 Raffles Place, #26-05 UOB Plaza 1, Singapore 048624. As at the date of this Announcement, CPPL has an issued and paid-up share capital of S\$1.00 comprising 1 ordinary share, entirely held by the Company.

CPPL owns 60% of the registered capital of Huizhou Daya Bay which is the sole developer of a project in No. 3 Xia Guang Road West, Xia Chong Town, Daya Bay District, Huizhou, Guangdong Province, PRC. The brownfield project comprised, *inter alia*, 1,116 suites of decorated apartments with a gross floor area of approximately 552,000 square feet. Construction has been completed and the handover of the apartments for sale to purchasers have commenced from the third quarter of 2015. 399 apartments continue to be owned by Huizhou Daya Bay, and are rented out as holiday apartments (“**Holiday Apartments**”) for recurring income. Estay Inc., an independent and well-established hotel operator in the PRC, is the hotel management company for the Holiday Apartments.

CPPL also owns 100% of the equity interest of Chengdu Xin Cheng Cedar Properties Consulting Co., Ltd. which is a dormant company.

4. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

4.1. Completion

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

4.2. Consideration and Satisfaction of Consideration

The Consideration payable by Mr Luo for the Proposed Disposal shall be negotiated between the Company and Mr Luo based on the Valuation. The Company will make a further announcement when the Consideration has been agreed upon.

The Consideration is to be satisfied by the Company setting off from the Consideration the equivalent sum under the amount (both principal and interest) outstanding under the Convertible Loan Agreement (the “**Outstanding Indebtedness**”) as at Completion.

Notwithstanding the above, in the event that the Novation takes place prior to Completion, the Consideration shall be satisfied fully in cash.

4.3. Conditions Precedent

Completion shall be conditional upon the following being satisfied:

- (a) completion of a valuation of Huizhou Daya Bay’s property interests by an independent internationally recognised valuer (the “**Valuation**”), and such valuer shall be appointed by the Company, subject to Mr Luo’s agreement, such agreement not to be unnecessarily withheld or delayed;
- (b) an opinion from the independent financial adviser appointed by the Company that the Proposed Disposal is on normal commercial terms and is not prejudicial to the interests of the Company and its minority shareholders;
- (c) all approvals of the board of directors of the Company having been obtained for the entry into and completion of, the transactions contemplated to be entered into the SPA;
- (d) to the extent required by the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the SGX-ST and/or applicable laws, approval from the Shareholders

having been obtained for the entry into and completion of, the transactions contemplated to be entered into in the SPA;

- (e) the entry into a deed of assignment between Mr Luo and the Company, pursuant to which the Company agrees to assign all its rights, benefits and interests in and to the amount outstanding under the shareholder's loan (comprising an initial principal aggregate amount of RMB48,000,000, being the purchase consideration relating to CPPL's acquisition of Huizhou Daya Bay), owed by CPPL to the Company as at the date of the deed of assignment in favour of Mr Luo;
- (f) the nomination by Mr Luo of a Singapore-resident director to be appointed to the board of directors of CPPL; and
- (g) all other necessary consents or approvals, if any, from third parties or governmental or regulatory bodies or competent authorities having jurisdiction over the sale of the Sale Share (including without limitation but only where required, by the SGX-ST, the Company's Sponsor and the relevant licensing authorities) and if such conditions are required to be fulfilled before Completion, such conditions being fulfilled before Completion, as the case may be, and such consents or approvals not being revoked or repealed on or before Completion, as the case may be.

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

5. VALUE OF THE CPPL GROUP, GAIN FROM THE PROPOSED DISPOSAL AND USE OF PROCEEDS

5.1. Value of the CPPL Group

Based on the latest announced consolidated financial statements of the Group for the financial period ended 30 September 2017 ("**3Q2017**"), the book value and net tangible assets of the CPPL Group as at 30 September 2017 was approximately S\$14.8 million.

The Consideration for the Proposed Disposal cannot be determined as at the date hereof, as it shall be negotiated between the Company and Mr Luo based on the Valuation. As such, the excess of the proceeds from the Proposed Disposal over the book value of the CPPL Group cannot be meaningfully measured as at the date of this Announcement. The Company will make a further announcement setting out the excess of the proceeds from the Proposed Disposal over the book value of the CPPL Group when the Consideration has been agreed upon.

5.2. Loss attributable to the CPPL Group and gain from the Proposed Disposal

Based on the latest announced consolidated financial statements of the Group for 3Q2017, the net loss* attributable to the CPPL Group as at 30 September 2017 was approximately S\$2.1 million.

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

The Consideration for the Proposed Disposal cannot be determined as at the date hereof, as it shall be negotiated between the Company and Mr Luo based on the Valuation. As such, the net gain (being the proceeds arising from the Proposed Disposal as compared to the book value of the CPPL Group) cannot be meaningfully measured as at the date of this Announcement. The Company will make a further announcement setting out the net gain from the Proposed Disposal when the Consideration has been agreed upon.

5.3. Use of proceeds

The Consideration is to be satisfied by the Company setting off from the Consideration the equivalent sum under the Outstanding Indebtedness as at Completion.

In the event of the Novation taking place prior to Completion, the Consideration shall be satisfied fully in cash. The Company intends to use 100% of any such net cash proceeds from the Proposed Disposal (after deducting expenses of approximately S\$0.2 million) for working capital purposes.

6. 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 Disposal and based on the latest announced consolidated financial statements of the Group for 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	11.0%
(b)	The net profits ⁽¹⁾ attributable to the CPPL Group, compared with the Group's net profits	-88.9% ⁽²⁾
(c)	The aggregate value of the consideration, compared with the Company's market capitalisation ⁽³⁾ of approximately S\$73,605,770 based on the total number of issued shares excluding treasury shares	— ⁽⁴⁾
(d)	The number of equity securities issued by the Company as consideration for the Proposed Disposal, compared with the number of equity securities previously in issue	Not applicable.
(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 net loss attributable to the CPPL Group of approximately S\$2.1 million as at 30 September 2017 whilst the Group posted a net profit of approximately S\$2.3 million, based on the latest announced consolidated financial statements of the Group for 3Q2017.
- (3) "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 trading in the Company's shares was halted and since subsequently suspended.
- (4) The Consideration for the Proposed Disposal cannot be determined as at the date hereof, as it shall be negotiated between the Company and Mr Luo based on the Valuation. As the Consideration has yet to be determined as at the date of this Announcement, the relative figure to be computed on the base set out in Rule 1006(c) of the Catalist Rules cannot be meaningfully computed as at the date of this Announcement. The Company will make a further announcement setting out the relative figure when the Consideration has been agreed upon.

The relative figure computed on the base set out in Rule 1006(b) of the Catalist Rules is a negative figure. Under Rule 1007(1) of the Catalist Rules, if any of the relative figures

computed on the relevant bases set out in Rule 1006 is a negative figure, the Company is required, through its Sponsor, to consult with the SGX-ST on the applicability of Chapter 10 of the Catalist Rules.

Notwithstanding the foregoing and having considered that the Company will be seeking the approval of Shareholders for the Proposed Disposal as an interested person transaction (please refer to Section 8 of this Announcement), the Company will nonetheless seek Shareholders' approval for the Proposed Disposal at an extraordinary general meeting to be convened (the "EGM").

7. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal will allow the Company to realise the investments in CPPL, which would unlock value for Shareholders and further strengthen the Company's financial position. The Proposed Disposal will also enable the Company to set off from the Consideration the equivalent sum under the amount (both principal and interest) due to Mr Luo under the convertible loan agreement, as such repaying part of the principal amount due to Mr Luo under the Convertible Loan Agreement. The Proposed Disposal is also a condition under the Settlement Deed negotiated with Mr Luo to resolve the Company's dispute with Mr Luo.

8. CHAPTER 9 OF THE CATALIST RULES – INTERESTED PERSON TRANSACTION

Mr Luo is the controlling shareholder of the Company. Accordingly, Mr Luo is an "interested person" under Chapter 9 of the Catalist Rules and the Proposed Disposal constitutes an "interested person transaction" under Chapter 9 of the Catalist Rules.

Save for the Proposed Disposal, the Company, its subsidiaries and associated companies which, for the purposes of Chapter 9 of the Catalist Rules, are considered to be "entities at risk", have not entered into any interested person transaction with Mr Luo and his associates for the period from 1 January 2018 to the date hereof to which Rules 905 and/or 906 of the Catalist Rules would apply.

The Consideration for the Proposed Disposal cannot be determined as at the date hereof, as it shall be negotiated between the Company and Mr Luo based on the Valuation. As such, the value of the Proposed Disposal as a percentage of the Group's latest audited net tangible assets of approximately S\$94.2 million as at 31 December 2016 cannot be meaningfully measured as at the date of this Announcement. Nevertheless, the Company is seeking the approval of the Shareholders for the Proposed Disposal as an interested person transaction at the EGM. A circular will be despatched to Shareholders in due course.

9. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

The Company will make a further announcement setting out the *pro forma* financial effects of the Proposed Disposal when the Consideration has been agreed upon.

10. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Apart from the interests of Mr Luo as disclosed in Section 8 of this Announcement, none of the Company's directors or controlling shareholders or their associates has any interest, direct or indirect, in the Proposed Disposal, 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 of the Company in connection with the Proposed Disposal. 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 Disposal.

12. ADVICE OF THE INDEPENDENT FINANCIAL ADVISER

The Company will appoint an independent financial adviser ("**IFA**") to advise the Directors who are considered independent of the Proposed Disposal and the members of the Audit Committee of the Company as to whether the financial terms of the Proposed Disposal are fair and reasonable, and whether the Proposed Disposal as an interested person transaction, is on normal commercial terms and is not prejudicial to the interests of the Company and its minority Shareholders. The Company will make a further announcement when the IFA has been appointed.

A copy of the letter from the IFA to the Directors and members of the Audit Committee will be set out in the circular to be despatched to Shareholders in due course and Shareholders are advised to read the letter carefully.

13. EGM AND CIRCULAR TO SHAREHOLDERS

The Company will convene an EGM to seek the approval of the Shareholders for the Proposed Disposal as an interested person transaction and a circular containing, *inter alia*, details thereof, together with the opinions and recommendations of the Directors in relation thereto and enclosing the notice of EGM in connection therewith, will be dispatched to the Shareholders in due course.

14. DOCUMENT 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.

15. 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 Disposal, 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.

16. FURTHER ANNOUNCEMENTS

The Company will make further announcements on the matters set out in this Announcement as appropriate or when there are material developments on the same.

17. CAUTION IN DEALING

Shareholders and investors are advised to exercise caution when dealing in the shares of the Company. There is no certainty or assurance as at the date of this Announcement that the Proposed Disposal will proceed to Completion, as 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

Mr Tan Thiam Hee
Group Chief Executive Officer and Executive Director

18 January 2018

*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:

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