

# EMERGING TOWNS & CITIES SINGAPORE LTD.

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

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## UPDATE ON CONVERTIBLE LOAN AGREEMENT WITH LUO SHANDONG

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The Board of Directors (the “**Board**”) of Emerging Towns & Cities Singapore Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to:

- (a) the Company’s announcement dated 25 January 2017 in relation to the Convertible Loan Agreement (the “**25 January 2017 Announcement**”);
- (b) the circular to Shareholders dated 3 February 2017;
- (c) the Company’s announcement dated 18 January 2018 in relation to the addendum deed entered into on the same date by the Company and Mr Luo Shandong (“**Mr Luo**”) (the “**Addendum Deed**”) (the “**18 January 2018 Announcement**”);
- (d) the circular to Shareholders dated 28 February 2018;
- (e) the Company’s announcement dated 28 June 2018 in relation to the resumption of trading of the Company’s shares (the “**28 June 2018 Announcement**”);
- (f) the Company’s announcement dated 1 March 2019 in relation to the second addendum deed entered into on the same date by the Company and Mr Luo (the “**Second Addendum Deed**”) (the “**1 March 2019 Announcement**”); and
- (g) the circular to Shareholders dated 8 April 2019.

*Unless otherwise defined, all capitalised terms used in this Announcement shall bear the same meaning as in the 25 January 2017 Announcement, the 18 January 2018 Announcement, the 28 June 2018 Announcement and the 1 March 2019 Announcement.*

The Board wishes to announce that pursuant to the convertible loan agreement entered into between Mr Luo and the Company on 25 January 2017, as supplemented and amended by the Addendum Deed and the Second Addendum Deed (the “**Convertible Loan Agreement**”), the outstanding Principal Amount and interest have become fully due and payable by the Company on the Maturity Date, being 39 months from the date of the Convertible Loan Agreement (i.e. 25 April 2020).

The Company announced in the 28 June 2018 Announcement that SGX Regco had on 21 June 2018 issued a letter in relation to the Company’s application, through its Sponsor, for the resumption of trading in the Shares. SGX Regco’s approval on the application was subject to, *inter alia*, the submission of certain undertakings to the Sponsor and the Company had on 28 June 2018 submitted the following undertakings (the “**Undertaking**”) to the Sponsor:

- (a) an undertaking to procure third parties who are independent of Mr Luo and his concert parties to take over Mr Luo’s Shares as and when he exercises the Conversion Right; and
- (b) an undertaking that in the event the Company is not able to procure any such third parties as and when Mr Luo exercises the Conversion Right, the Company is to redeem a portion of the Convertible Loan Agreement in cash such that at any point in time, Mr Luo will not hold more than 10% of the enlarged share capital of the Company or will not become the single largest shareholder of the Company as a direct consequence of Mr Luo’s exercise of the Conversion Right.

The Company, has since the signing of the Undertaking, been trying to seek new investors to either buy out Mr Luo’s Convertible Loan Agreement and/or Shares and/or new share placements in order to reduce the shareholding percentages of Mr Luo when the total indebtedness outstanding under the

Convertible Loan Agreement (the “**Outstanding Amount**”) is converted into new Shares.

Prior to this Announcement and since the end of 2019, the Company and Board made several attempts to reach out to Mr Luo, including and not limited to making trips to the People’s Republic of China before the travel ban, to negotiate for an extension of the expiry date of the Conversion Right and Maturity Date. Despite all the efforts, the Company has not been able to contact Mr Luo directly till date.

Accordingly, after considering these circumstances, the Company has submitted an application to SGX Regco, through the Sponsor, for a waiver and to be released from the Undertaking (the “**Application**”) for, *inter alia*, the following reasons:

- (i) if the Company is unable to obtain an extension of the Maturity Date and it is unable to convert the Outstanding Amount into Shares, the Company would then be liable to repay the Outstanding Amount to Mr Luo;
- (ii) the Company has accounted for the Outstanding Amount under the Convertible Loan Agreement as equity and if the Company is unable to obtain an extension of the Maturity Date or is unable to convert the Outstanding Amount into Shares, the Company would have to reclass the Outstanding Amount from equity to current liabilities, this will have a negative material impact on the Company’s financial position;
- (iii) given the current cashflow situation of the Company, if the Company were required to repay the Outstanding Amount to Mr Luo, this may have a negative material impact on the Company’s cashflow and finances;
- (iv) the closing price of Company’s Shares on the Catalist Board of the SGX-ST on 23 April 2020 was S\$0.015 and pursuant to the Convertible Loan Agreement, the price used for conversion is S\$0.09 per share; this would mean that from a financial perspective, it would be beneficial for the Company to convert the Outstanding Amount into Shares as compared to repaying the Outstanding Amount in cash; and
- (v) Shareholders had previously already given approval for the issue of Shares to Mr Luo for purposes of conversion of the Outstanding Amount.

Pending the outcome of the Application, the Company has elected to convert approximately US\$12,272,346 (approximately S\$17,426,732<sup>1</sup>), being the total indebtedness outstanding as at the Maturity Date under the Convertible Loan Agreement, automatically into 193,630,352 fully paid new ordinary shares (the “**New Shares**”) in the Company on the Maturity Date, at the conversion price of S\$0.09 per Conversion Share.

*Note:*

1. Based on the exchange rate of US\$1.00: S\$1.42 according to the Convertible Loan Agreement dated 25 January 2017

**The New Shares are deemed issued and allotted on the Maturity Date, subject to any requisite approvals from the SGX-ST and/or SGX Regco being obtained in relation to the New Shares, and will rank *pari passu* in all respects with the existing Shares of the Company.**

Following the allotment and issuance of the New Shares, the total number of issued and paid-up ordinary shares of the Company will increase from 978,053,934 to 1,171,684,286 ordinary shares.

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

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

25 April 2020

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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.*

*The contact person for the Sponsor is: Name: Mr Shervyn Essex, Registered Professional, RHT Capital Pte. Ltd. Address: 9 Raffles Place, #29-01 Republic Plaza Tower 1, Singapore 048619 Telephone: (65) 6381 6966*