

# EMERGING TOWNS & CITIES SINGAPORE LTD.

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

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## RESPONSE TO QUERIES FROM THE SGX ON CIRCULAR TO SHAREHOLDERS IN RELATION TO PROPOSED TRANSACTIONS

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The Board of Directors (the “**Board**”) of Emerging Towns & Cities Singapore Ltd. (the “**Company**” or “**ETC**”, together with its subsidiaries, collectively the “**Group**”) refers to the announcement dated 15 November 2024 in relation to the extraordinary general meeting of the Company to be held on 6 December 2024 to seek Shareholders’ approval of the Proposed Transactions (as defined in the circular to Shareholders dated 15 November 2024 (the “**Circular**”)) and attaching the Circular containing details thereof.

*Capitalised terms in this announcement (unless otherwise defined or the context otherwise requires) have the same meaning ascribed to them in the Circular.*

The Board would like to respond to the queries received from the Singapore Exchange Regulation (“**SGX**”) as follows:

### SGX’s Query 1

We refer to the Company’s announcement dated 15 Nov 2024, titled: CIRCULAR TO SHAREHOLDERS IN RELATION TO:

- (I) THE PROPOSED DISPOSAL OF THE ENTIRE ISSUED AND PAID-UP SHARE CAPITAL OF DAS PTE. LTD. (THE “PROPOSED DISPOSAL”);
- (II) THE PROPOSED DISCHARGE OF THE DEED OF GUARANTEE AND UNDERTAKING DATED 8 JUNE 2020 IN RELATION TO THE LOANS OF GOLDEN LAND REAL ESTATE DEVELOPMENT CO., LTD. (THE “PROPOSED DISCHARGE”);
- (III) THE PROPOSED ISSUE OF CONVERTIBLE BONDS AGGREGATING S\$4,500,000 CONVERTIBLE INTO AN AGGREGATE AMOUNT OF 968,270,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE “PROPOSED SUBSCRIPTION”);
- (IV) THE PROPOSED TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO MS CAO YONGYAN (THE “PROPOSED TRANSFER OF CONTROLLING INTEREST”);
- (V) THE PROPOSED GRANT OF OPTIONS TO SUBSCRIBE FOR AN AGGREGATE AMOUNT OF 239,080,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY TO KEY MEMBERS OF MANAGEMENT OF HAINAN JIUPENG CHUHE TECHNOLOGY CO., LTD. (THE “PROPOSED GRANT”); AND
- (VI) THE PROPOSED DIVERSIFICATION OF THE GROUP’S BUSINESS INTO THE E-COMMERCE AND RETAIL BUSINESS (THE “PROPOSED DIVERSIFICATION”)

1) It was announced in section 2.3 that the last 2 tranches of disposal considerations, S\$2,000,000 in total, will be paid by the Purchaser within 6 and 12 months after the Disposal Completion Date respectively.

- a) Why are the payments of consideration by the Purchaser structured in this manner and how is it in the best interest of the Company and shareholders?
- b) When will the change of ownership of the disposed assets happen? Is it on the Disposal Completion Date?

### Company’s response

- a) The payment structure of the consideration was proposed by the Purchaser. Since 2021, the Company has been in negotiations with various potential investors to divest DAS. As these attempts to attract other potential buyers have not been successful, the Company and the Board are of the view that the Proposed Disposal on the current terms and conditions which has been

negotiated with the Purchaser are in the best interests of the Company and the Shareholders based on current circumstances, as part of its plan to resume the trading of its securities.

The Company notes that Disposal Deposit has been paid to the Company on 6 July 2023 and the First Tranche will be paid on the Disposal Completion Date. As at the Disposal Completion Date, the Company will have received 50% of the Disposal Consideration, with the balance 50% secured by the Collateral Agreement (which relates to the provision by Golden Land to the Company of property units in Golden City owned by Golden Land in aggregate valued at no less than S\$3,000,000 based on an independent valuation as collateral). The execution of the Collateral Agreement is a condition precedent to the Disposal Completion.

- b) The change in ownership of DAS will occur on the Disposal Completion Date. As noted above, the remaining 50% Consideration as at the Disposal Completion Date will be secured by the Collateral Agreement, to safeguard the Company's right to the payment of the remaining Consideration.

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

- 2) *CR829(3) stipulates that the terms of the issue must provide for any material amendment to the terms of the company warrants or other convertible securities after issue to the advantage of the holders of such securities to be approved by shareholders, except where the amendment is made pursuant to the terms of the issue.*

*Please elaborate how this rule requirement is met and indicate the relevant disclosure in the circular.*

### **Company's response**

In accordance with Rule 829(3) of the Catalist Rules, the relevant terms have been provided in the terms of issue of the respective agreements.

In the Subscription Agreements, it is provided that: "*Without prejudice to any other provision herein, any material alteration to the terms of the Bonds after the issue thereof to the advantage of the Bondholders and prejudicial to the Shareholders must be approved by the Shareholders in general meeting, except where the alterations are made pursuant to the terms of the Bonds.*"

In the Management Options Agreements, it is provided that: "*Without prejudice to any other provision herein, any material alteration to the terms of the [Management] Options after the issue thereof to the advantage of the Group Employee and prejudicial to the Shareholders must be approved by the Shareholders in general meeting, except where the alterations are made pursuant to the terms of the [Management] Options.*"

As the Company does not currently contemplate any material alteration to the terms of the Bonds after issue, the above terms were not specifically included in the Circular. Nonetheless, the Company notes that, in compliance with Rule 829(3) of the Catalist Rules, the terms of the Subscription Agreements and the Management Option Agreements have included the requirements of Rule 829(3) of the Catalist Rules. Both the Subscription Agreements and the Management Option Agreements have been made available for inspection for the purpose of the EGM.

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

- 3) *CR832(6) stipulates that a circular or notice to be sent to shareholders in connection with a general meeting to approve the issue of company warrants or other convertible securities must include information regarding the arrangements for the variation in the subscription or purchase price and in the number of company warrants or other convertible securities in the event of alterations to the share capital of the issuer.*

*Please elaborate how this rule requirement is met and indicate the relevant disclosure in the circular.*

#### **Company's response**

In relation to the Subscription Agreements, the Company understands that the Rule 832(6) of the Catalist Rules is not applicable as there is no arrangement for the variation in the Bonds Subscription Price and in the number of Bonds in the event of alterations to the share capital of the Company. The Bonds Subscription Price and number of Bonds to be issued is fixed, being convertible bonds in the aggregate principal amount of S\$4,500,000 convertible into an aggregate of 968,270,000 Conversion Shares. As the Company's shares are currently suspended, it is not contemplated that, in the event the Bonds Subscription is approved by the shareholders, there would be any alterations to the share capital of the Company between such approval and the issue of the Bonds. The Bonds shall also automatically convert on a date falling seven (7) days following the Automatic Conversion Events: being completion of Proposed Disposal, the novation or discharge of the Company's obligations under the Corporate Guarantee and the resumption of trading of the Company's shares on the SGX-ST and receipt of a listing and quotation notice in relation to the Conversion Shares from the SGX-ST.

For the avoidance of doubt, pursuant to Rule 829(1) of the Catalist Rules, the Subscription Agreements provide for the adjustment of the Bonds Conversion Price and the number of Conversion Shares, as disclosed in Section 3.2.3 of the Circular as follows: *"The terms and conditions of the Bonds provide for adjustment to the Bonds Conversion Price in the event of rights, bonus or other capitalisation issues. Please refer to Appendix C (Adjustments to Conversion Price and Number of Conversion Shares) of this Circular for more details."*

In relation to the Management Option Agreements, the Company understands that the Rule 832(6) of the Catalist Rules is not applicable as there is no arrangement for the variation in the (nominal) consideration for and the number of the Management Options in the event of alterations to the share capital of the Company. The Management Options are granted to the Group Employees for the purposes of, *inter alia*, motivation and recognition of performance of the Group Employees. The Management Options consist of two (2) options, being the Option FY2024 and Option FY2025 only, being options to subscribe for an aggregate amount of 239,080,000 Management Option Shares.

For the avoidance of doubt, pursuant to Rule 829(1) of the Catalist Rules, the Management Option Agreements provide for the adjustment of the Options Exercise Price and the number of Management Options Shares, as disclosed in Section 5.2.3 of the Circular as follows: *"The terms and conditions of the Management Options provide for adjustment to the Options Exercise Price in the event of rights, bonus or other capitalisation issues."*

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

- 4) *Catalist Rule 810(1)(b) stipulates that an issuer which intends to issue shares, company warrants or other convertible securities for cash, the announcement must include the following: where the issue is proposed to be used mainly for general working capital purposes, the issuer must provide reasons for such use taking into account its working capital position;*

*Please elaborate how this rule requirement is met and indicate the relevant disclosure in the circular.*

#### **Company's response**

As noted in Section 8 of the Circular, the Directors are of the opinion that, after taking into consideration:

- (i) the Group's present bank facilities, the working capital available to the Group is sufficient to meet its present requirements and (a) the Proposed Subscription is mainly for the purpose of injecting capital and working capital into the E-Commerce and Retail Business, including the operations of HJC, and (b) the Proposed Grant is to, *inter alia*, motivate and recognise employees as part of a competitive remuneration package; and

- (ii) the Group's present bank facilities, the Bond Proceeds and the Management Option Proceeds, the working capital available to the Group is sufficient to meet its present requirements.

Nonetheless, even after taking into account the sufficiency of the working capital available to the Group to meet its present requirements, the Company intends to allocate a minority of the Bond Proceeds, and the Management Option Proceeds, to general working purposes, legal and professional fees and ancillary expenses for the Group in order to further strengthen the Group's cashflow position and safeguard the Group's and the Company's ability to continue as a going concern.

**BY ORDER OF THE BOARD**

Joseph Lim

Executive Director and Chief Executive Officer

29 November 2024

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*This announcement has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd. (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "Exchange") and the Exchange assumes no responsibility for the contents of this document, including the correctness of any of the statements or opinions made or reports contained in this document.*

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