



Securities Investors Association (Singapore)

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Issuer: Emerging Towns & Cities Singapore Ltd.

Security: Emerging Towns & Cities Singapore Ltd.

Meeting details:

Date: 23 April 2019

Time: 9.30 a.m.

Venue: 137 Cecil Street, Hengda Building, #04-01, Singapore 069537

Company Description

Emerging Towns & Cities Singapore Ltd., an investment holding company, engages in the property development and investment activities in Myanmar and the People's Republic of China. It owns a portfolio of residential and commercial properties. The company was formerly known as Cedar Strategic Holdings Limited and changed its name to Emerging Towns & Cities Singapore Ltd. in February 2017. Emerging Towns & Cities Singapore Ltd. was incorporated in 1980 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=1C0)

1. As noted in the Corporate Profile, the group disposed of Cedar Properties Pte. Ltd. (“CPPL”) on 15 March 2018 after shareholders’ approval was obtained at the extraordinary general meeting on 15 March 2018. The company had previously announced the unauthorised withdrawal of funds from CPPL by the then controlling shareholder, Mr Luo Shandong.

The consideration of RMB81 million for CPPL was satisfied by the company setting off from the consideration the equivalent sum under the aggregate amount outstanding under the convertible loan agreement (CLA).

Following further negotiation with Mr Luo Shandong, the maturity date of the CLA was extended twice and the repayment deadline for the aggregate amount outstanding has been extended from 25 April 2019 to 25 April 2020.

The board was reconstituted and currently comprises Ang Mong Seng, Tan Thiam Hee, Zhu Xiaolin, Lim Jun Xiong Steven and Teo Cheng Kwee.

Mr Lim Jun Xiong Steven chairs the audit committee (AC), with Ang Mong Seng and Teo Cheng Kwee as members.

- (i) What are the key findings by the AC following the review of the risk management and internal control framework for compliance with the relevant guidelines and regulations?**
- (ii) What are some of the improvements made/to be made to the group’s internal audit controls?**

The company has disclosed that it engaged Baker Tilly Consultancy (Singapore) Pte Ltd (“Baker Tilly”) to conduct an internal audit of the company as well as to implement enterprise risk management (“ERM”) initiatives within the group to assist in determining whether the group’s checks and balances and control systems are adequate.

It also stated that Baker Tilly is a suitably appointed qualified firm of accountants which meets the standards set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors.

- (iii) Can the AC confirm that Baker Tilly has been tasked to (a) establish the group’s ERM framework (including the risk register and to identify non-compliance or internal control weaknesses) and to (b) conduct the internal audit as the group’s outsourced internal auditor?**
- (iv) Did the AC consider if there would be any threat of self review?**
- (v) Can Baker Tilly confirm that they are complying with the IIA standards about independence of IA services?**

2. Would the board/management provide shareholders with better clarity on the business model, including the following operational matters?

- (i) For the group's flagship Golden City project, what is the expertise and track record of the management team in launching, selling and managing premium real estate in a frontier market?**
- (ii) Has the board evaluated how the Condominium Law may affect the group? What is the worst-case scenario?**
- (iii) Given the situation in Myanmar especially the international scrutiny relating to the unrest in the Rakhine State, how has the investment climate changed and what is the group's strategy to overcome the slower market? How attuned is the group to the ground sentiments?**
- (iv) About a quarter of the units from Phase I and a third of the units from Phase II remain unsold. For the units sold, can management help shareholders understand the profile of the buyers so far?**
- (v) In addition, can the board, especially the independent directors on the AC, explain why the group is paying 18% per annum for a loan from an interested person?**
- (vi) On page 170, the company also disclosed that the two interested person transactions to acquire Uni Global Power Pte. Ltd. were not approved by shareholders at the EGM held on 26 December 2017. Can the independent directors help shareholders understand the consequences of the IPT resolutions not being carried? Did the group proceed with the IPTs? In the announcement dated 26 December 2017, the company announced that the proxies were made invalid and the controlling shareholder's shares were not included in the vote.**

3. On 26 April 2018, the company announced the results of the annual general meeting stating that resolutions 1 and 3 through 8 as set out in the Notice of AGM dated 5 April 2018 were put to vote by poll and were duly passed.

However, it was disclosed that resolution 2 relating to the re-election of Mr. Wong Pak Him Patrick as a director was said to be carried at the AGM, but in actual fact, due to an error in tabulation, resolution 2 should not have been carried. The percentage of votes against resolution 2 should have been 58.75% (instead of 34.53%).

The number of votes that voted "For" the resolution was corrected from 410,931,744 votes to 241,520,880 votes.

- (i) What was the reason for the error in the vote counting/tabulation?**

- (ii) Can the company explain how the votes were counted/tallied? Who was in charge and what are the processes that were put in place to ensure that votes were counted correctly?**

- (iii) What was the role played by the scrutineers in the vote counting? Zico BPO Pte Ltd was appointed as the scrutineers for the polls conducted at the AGM.**

- (iv) Can the company elaborate further on the improvements that have been made to the voting procedures at shareholder meetings?**

- (v) Was the vote counting was carried out manually? Did the board consider using electronic voting systems to count the votes? A well-designed and properly implemented system can reduce human errors and provide shareholders with the count of the votes on a real-time basis.**