

**IMPERIUM CROWN LIMITED**  
(Incorporated in Singapore)  
(Company Registration No. 199505053Z)

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**RESPONSE TO QUERIES BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)**

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*Unless otherwise defined, capitalised terms used herein shall bear the meanings ascribed to them in the Company's announcement dated 27 September 2018 in relation to the Proposed Acquisition of the Remaining 40% stake in Global Entertainment Media Pte. Ltd. (the "**Announcement**").*

The board of directors (the "**Board**") of Imperium Crown Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to announce the following in response to the queries raised by Securities Investors Association (Singapore) ("**SIAS**") in an email to the Company on 29 October 2018:

- Q1.** The group has started its initial plans to develop the Wonder Stone Park (the "**WSP**") into a commercial development and tourist attraction with a theme park featuring rides and attractions. It was stated that the total development cost for the Fei County Wonder Stone Park will add up to RMB650 million, with RMB100 million already incurred. Revenue is only expected in 2020 and beyond.

On 27 September 2018, the Company announced the proposed acquisition of the balance 40% of the total issued and paid-up share capital of Global Entertainment Media Pte. Ltd. ("**GEM**") which indirectly holds the development rights to WSP. The vendor is wholly-owned by Mr. Sun Bowen, an executive director of the Company.

The Company has stated that the rationale for the proposed acquisition are:

- further expansion of the existing core business of property investment and development; and
  - in line with its strategic plans to build up a diversified portfolio of well-located properties.
- i. The purchase of the balance 40% non-controlling stake does not help the group to expand its core business nor allows it to further diversify its portfolio of properties (as stated above). **Did the board support and approve the proposed acquisitions based on these two "reasons"? Are there other better justification for the purchase of the balance 40% non-controlling stake in GEM?**

**Company's Response:**

As disclosed in paragraph 3 of the Announcement, the Company recognises the potential of GEM and in a bid to enhance the value of the Shareholders, decided to acquire the remaining 40% of GEM to allow the Company to increase its economic stake over GEM.

The Company also wishes to recognise the performance and efforts of Mr Sun Bowen ("**Mr Sun**"), who has been instrumental in the Group's development. The Board believes that the issuance of the Consideration Shares to Mr Sun will further incentivise Mr Sun's work in GEM and align his interests with that of the Group's.

Further, as disclosed in paragraph 6.2 of the Announcement, the Consideration represents a discount of approximately 40.6% to the NAV of GEM.

In addition, out of the \$17,10,000 consideration payable in cash, \$14,600,000, representing approximately 85% of the total cash consideration, will only be payable upon the Enlarged Group achieving an audited consolidated profit before tax of S\$3,000,000 in a financial year no later than the financial year ending 30 June 2021 (“**Milestone 1**”) and an audited consolidated profit before tax of S\$12,000,000 in a financial year no later than the financial year ending 30 June 2023 (“**Milestone 2**”), failure of which the cash consideration will not be payable.

- ii. **Would the board, especially the independent directors help shareholders understand what was their role in the proposed acquisition?**

**Company’s Response:**

The Board, except for Mr Sun who recused himself from the Board’s discussions, communicated their queries with the Acting Chief Executive Officer (the “**Acting CEO**”), reviewed the proposed transaction and used reasonable diligence in the discharge of their duties and responsibilities.

- iii. **Who initiated and led the discussion with the vendor? Did Mr Sun, as an interested person in the transaction, recuse himself from the discussion? If so, how was the negotiation carried out?**

**Company’s Response:**

The Acting CEO initiated and led the discussion with Mr Sun. As mentioned in the aforementioned paragraph, Mr Sun recused himself from the Board’s discussion. The negotiation was carried between the Acting CEO, who is acting on behalf of the Company, and Mr Sun.

- iv. **Can the board further justify why the acquisition of the 40% interest is in the best interests of the Company and of the minority shareholders given that the Company already has control and does not appear to have the resources on hand to complete the development of the project?**

**Company’s Response:**

The Company has stated the justification on the acquisition in its response to Question 1(i). As a listed company, the Company has a number of avenues to raise funds, including but not limited to, the securing of bank loans and the exercising of the options granted to Mr Sun and Mr Wee Henry as approved by the Shareholders at the extraordinary general meeting convened on 29 March 2018.

- v. **Would the board consider that this Proposed Acquisition should be treated as a “Very substantial acquisition” (“VSA”) since the relative figure computed based on Rule 1006(c) of the Catalist Rules exceeds 100%? Classifying the transaction as a VSA would lead to the requirement of additional safeguards to protect the interests of Shareholders.**

**Company’s Response:**

As disclosed in the Announcement, the Company has submitted an application to the SGX-ST to classify the Proposed Acquisition as a “major transaction” under Chapter

10 of the Catalyst Rules. The classification of the Proposed Acquisition is within the ambit of the SGX-ST.

Notwithstanding, irrespective of whether the Proposed Transaction is classified as a “major transaction” or a “very substantial acquisition”, an extraordinary general meeting would need to be convened where Shareholders can exercise their votes based on their interests accordingly. Thus, having regard to the specific circumstances surrounding the computation under Rule 1006 of the Catalyst Rules (as set out in the Announcement), it would not be in the best interests of independent shareholders of the Company to proceed with this Proposed Acquisition on the basis that it is a VSA as substantial resources would have to be unnecessarily expended.

- vi. **Given the heightened market risk associated with the project, including the loss of its “AAAA” rating under the Tourist Attraction Rating Categories of China, would the board consider it prudent to put the proposed transaction on hold until the major risks are resolved?**

**Company’s Response:**

As announced by the Company on 8 January 2018 in response to the queries raised by SIAS on 3 October 2017, the removal of the “AAAA” rating does not prevent WSP from continuing operations. The Company is unaware of any material “heightened market risk” arising from the removal of the “AAAA” rating.

- Q2.** As shown in the consolidated statement of profit or loss and other comprehensive income, the Group has recognised losses of \$21.6 million in the last two financial years since the acquisition of WSP.

Total comprehensive loss attributable to equity holders of the Company was more than \$28.5 million.

Net cash flow used in operations for the past two years totalled \$1.9 million while net cash inflow from investing activities was \$4.2 million, primarily due to the disposal of the prime Japanese assets, negated by the purchase of WSP.

Overall, the net cash and cash equivalents increased to \$9.1 million, boosted by advances from a related party of \$6.25 million and share issuance with net proceeds of \$36 million.

Would the board/management provide shareholders with better clarity on the following operational/financial matters? Specifically:

- i. **AAAA rating: What are the efforts by the local government and / or Fei County Wonder Stone Characteristic Town Development Co., Ltd to regain the “AAAA” rating under the Tourist Attraction Rating Categories of China? How will the Group’s development plans be affected if the rating is not restored? When is the timeline for the restoration of the rating, if any?**

**Company’s Response:**

As announced by the Company on 8 January 2018 in response to the queries raised by SIAS on 3 October 2017, the removal of the “AAAA” rating does not prevent WSP from continuing operations.

Notwithstanding, on 7 September 2018, the Shandong Tourism Development Commission has issued a notice which indicates that the WSP, having met the criteria of a “AAAA” rating attraction, has been shortlisted as a “AAAA” rating attraction and further procedural steps are underway before the “AAAA” rating would

be regained. As the grading exercise timeline is within the purview of the government body, there is no definitive timeline on when it would be regained. Notwithstanding, the Company does not envisage difficulties in regaining the “AAAA” rating.

- ii. **Funding: Please help shareholders understand what the sources of funding available to the Group are. What is the level of financing headroom available?**

**Company’s Response:**

As a listed company, the Company has a number of avenues to raise funds, including but not limited to, the securing of bank loans and the exercising of the options granted to Mr Sun and Mr Wee Henry as approved by the Shareholders at the extraordinary general meeting convened on 29 March 2018.

- iii. **Cost of funds: Has management estimated the cost of its capital? What are the Group’s major sources of capital? How would the cost change as the Group leverages up further to fund the development?**

**Company’s Response:**

As a listed company, the Company has a number of avenues to raise funds, including but not limited to, the securing of bank loans and the exercising of the options granted to Mr Sun and Mr Wee Henry as approved by the Shareholders at the extraordinary general meeting convened on 29 March 2018. In the earlier acquisition of 60% of GEM that was completed on 11 August 2017, the Company had commissioned a valuation where the development was assumed to be funded by bank loans. Barring unforeseen circumstances, while interest expenses arising from bank loans would increase the development costs, the increase would largely be within the Company’s expectations.

- iv. **Developer’s profit margin: In its investment thesis and projections, what is the minimum developer’s margin for this WSP project?**

**Company’s Response:**

The WSP is a mixed development project with many potentially different elements within the project (including potentially leisure, office, and commercial). The Company is still refining the scale and mix of the various elements and the expected return can fluctuate according to the mix, as well as other market conditions.

In any case, the Company does not think it is in its interest, nor in Shareholders’ interest, to publicly disclose its expected margin for any single, specific project.

- v. **Development West:** The Group has a 27% stake in Development West that had an initial cost of investment of \$2.48 million. **Can management provide an update on the operational and financial status of the underlying asset, Richardson Trust (the “Trust”)? What is the level of oversight and influence? How will the Trust be able to raise more funds to continue with the construction to meet the sunset clause? What are the management’s plans to avoid/minimise the dilution that comes with further fund raising?**

**Company’s Response:**

The Company noted that the Western Australian economy is slowly recovering after a post-resource boom slump on the back of improving public and private expenditure and a low AUD helping to drive exports. Stabilising local residential market conditions and softening prices in the eastern seaboard cities should give investors more confidence to invest in Perth. Supply is expected to be low in the short term but should pick up going forward. Recovery in the Perth market is expected to be gradual and the rental market will likely remain weak. With the Group owning a minority 27% stake in the Trust, the Group does not have a high level of oversight and influence. The developer of the Trust remains proactive in promoting the project to obtain more sales, upon which the release of funds from the bank would enable construction works to resume. Currently, the Company is considering a number of options on this investment and further announcements would be released as and when there are material developments on this matter.

- Q3.** In the Corporate Governance Report, the Company has stated that the independent directors, namely Mr Wee Phui Gam, Mr Hau Khee Wee and Dr Danny Oh Beng Teck, have confirmed that they do not have any relationship with the Company, its related companies, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the directors’ independent business judgement with a view to the best interests of the Company.

Mr Wee, being the lead independent director of the Company, is also a director of Fabchem China Limited, a company in which Mr Sun Bowen has 32.35% interest. Mr Sun was re-designated from the position of managing director to executive director and senior advisor in Fabchem in January 2018.

Mr Wee was appointed as the Acting chairman of Fabchem China Limited on 2 September 2018.

- i. **Can the nominating committee (NC) help shareholders understand if it has evaluated the relationship Mr Wee Phui Gam has with Mr Sun Bowen (who is the executive director and controlling shareholders of the two above-mentioned companies)?**

**Company’s Response:**

The Company would like to clarify that Mr Sun is not a controlling shareholder of the Company as of the date of this announcement.

The Company noted that Mr Wee Phui Gam (“**Mr Wee**”) was appointed on 19 October 2017, prior to the appointment of Mr Sun who was appointed as a Non-Executive Director on 22 November 2017 and re-designated to Executive Director on 22 February 2018.

Prior to the appointment of Mr Sun, Mr Wee had declared that he sat on the same board of directors with Mr Sun at Fabchem China Limited.

The NC subsequently requested for and obtained from Mr Wee a declaration that aside from his common directorship with Mr Sun at Fabchem China Limited, Mr Wee has no other dealings with Mr Sun. Mr Wee also undertakes to disclose to the Board should there be any change in his relationship with Mr Sun.

As of the date of this announcement, the Company is not aware of any change in the relationship between Mr Wee and Mr Sun, save as disclosed that both of them also sit on the board of directors at Fabchem China Limited.

- ii. **Would that be considered a relationship an independent director has with a 10% shareholder of the Company?**

**Company's Response:**

The NC and the Board have considered the independence declaration of Mr Wee, including but not limited to, the conduct of Mr Wee in his capacity as an independent director of the Company.

Notwithstanding that Mr Sun has a 32.35% interest in Fabchem China Limited, the role of Mr Wee in Fabchem China Limited is that of an independent director. Consequently, the NC and the Board have considered Mr Wee's position and are of the view that he does not have a relationship with a 10% shareholder of the Company.

- iii. **As the lead independent director, would Mr Wee be holding himself to a higher standard of governance practices and norms?**

**Company's Response:**

As the lead independent director, there are certain roles as prescribed by the Code of Corporate Governance 2012 that are assumed by the lead independent director. As there is no prescribed guideline on what constitutes a higher standard of governance practices and norms, the Company is of the view that any conduct by Mr Wee to hold himself to a higher standard of governance practices and norms could be perceived as arbitrary.

Having said that, Mr Wee is aware of his responsibilities and obligations as the lead independent director of the Board under the Code of Corporate Governance 2012, and has always endeavoured to fulfil such responsibilities and obligations to the best of his abilities.

- iv. **Can the NC explain in greater detail why the relationship Mr Wee has with Mr Sun is one in which it is not likely to affect, or does not appear to affect, the director's judgement? Would the NC review the current practice if shareholders do perceive that the relationship may affect Mr Wee's judgement?**

**Company's Response:**

The Company has stated its explanation under its response to Question 3(i). The NC conducts its own assessment of the independence of any director. Correspondingly, each director exercises diligence in disclosing relationships significant to the Company or to himself that might potentially compromise his independence, whether in substance or perceived. The NC is of the opinion that the current practices and assessments are adequate for the assessment of the independence of the directors.

Where there are queries from Shareholders, the queries will be addressed accordingly.

In August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (“**2018 Code**”). As a consequence of the revised 2018 Code, the Singapore Exchange will be making amendments to its Listing Rules. The Listing Rule changes will come into effect on 1 January 2019, except for the rules on the 9-year tenure for independent directors and the requirement for independent directors to comprise one-third of the board which come into effect on 1 January 2022. Under the revised Listing Rules, the term of an independent director will be limited to nine years after which the long tenured directors will be subject to a two-tier vote by shareholders.

- v. **Has the Company evaluated the impact of the 2018 Code and the amendments to the Listing Rules on the board?**

**Company’s Response:**

The Company has evaluated the impact of the 2018 Code and the amendments to the Listing Rules to the board. Currently, the independent directors of the Company comprises 75% of the Board and none of the independent directors of the Company has served on the Board beyond nine years from the date of his appointment.

By order of the Board

Sun Bowen  
Executive Director  
2 November 2018

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company’s sponsor, Stamford Corporate Services 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 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.*

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