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

RESPONSE TO QUERIES BY THE SECURITIES INVESTORS ASSOCIATION (SINGAPORE)

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 on 21 October 2021:

Q1. Revenue for the financial year ended 30 June 2021 was boosted by the full year contribution of the Wonder Stone Hotel (WSP Hotel). Total revenue increased from $1.49 million in FY2020 to $2.43 million in FY2021.

Along with depreciation and amortisation expenses ($3.90 million), staff costs ($1.35 million) and impairment allowance ($6.3 million), the net loss for FY2021 was $(10.6) million (FY2020: $(12.85) million).

i. Can management help shareholders understand the sentiment on the ground in Shandong Province and in Linyi City? How has the city adapted to living with COVID-19? What are the restrictions, if any on the operations of tourist attractions and hotels?

Company's Response:

The Company understands that the general population remains cautious and adheres to the safety measures imposed. Overall, the restrictions imposed on the operations of the WSP and WSP Hotel include but are not limited to, strict compliance to prevailing safety measures such as regular testing for hotel staff, temperature checking, safe distancing, proper hygiene and size of gathering as well as checks on the travel history of guests.

ii. Revenue from park admissions amounted to just $101,000 in FY2021 (page 82 – Note 5: Revenue). What was the number of visitors in FY2021? Is management satisfied with the performance of the Wonder Stone Park ("**WSP**")?

Company's Response:

In FY2021, park admissions number approximately 28,000 and the ongoing pandemic continued to have an adverse impact on park admissions, with the number of visitors lower than previously expected and targeted by management. Notwithstanding, the Group is a stakeholder in the tourism ecosystem and understands the intentions behind the safety measures implemented by the authorities in a bid to contain the transmission of the COVID-19 virus.

iii. How is management promoting and marketing the park to attract more visitors? What feedback has management gathered from visitors to the WSP?

Company's Response:

The Group has undertaken a number of steps to attract more visitors, including but not limited to, improving key scenic spots within the WSP to enhance the overall park experience for visitors; strengthening the collaboration with online tourism platforms and traditional tourist agencies; and also increasing its advertising efforts and increasing its visibility via social media applications. Feedback provided by the visitors on various platforms thus far is generally positive.

iv. What was the occupancy rate of the hotel? Revenue from hotel operations amounted to $2.33 million in FY2021.

Company's Response:

The average occupancy rate of the hotel was 33% for FY2021.

v. Net cash flows used in operating activities amounted to $(2.44) million in FY2021, up from $(0.89) million a year ago. How has management finetuned its business model to improve on the cash flow generation from WSP Hotel and WSP?

Company's Response:

The ongoing COVID-19 pandemic has affected and will continue to affect the operations of the Group. Other than the steps undertaken to attract more visitors as described in our response in (iii) above, the Group has also examined its internal operations and has adopted certain steps to strengthen its work processes, including but not limited to, streamlining work arrangements and deployments, enhancing training sessions to enable the multi-tasking capabilities of existing staff, minimising inventory and working with flexible suppliers that are able to provide food and beverage supplies on shorter notices, as well as adopting automation measures where possible to cut-down deployment of physical staff. These additional measures have also assisted in the improvement of cash flow management within the Group.

vi. Can management elaborate further on the development plans of the Hongyun Lake Project? Please provide shareholders with an overview (including architectural plans, artist's impressions, brochures etc), the development timeline and the capital required? This can be done via a management presentation during the AGM and followed up with a company's announcement on SGXNet. How is the Group going to fund this development?

Company's Response:

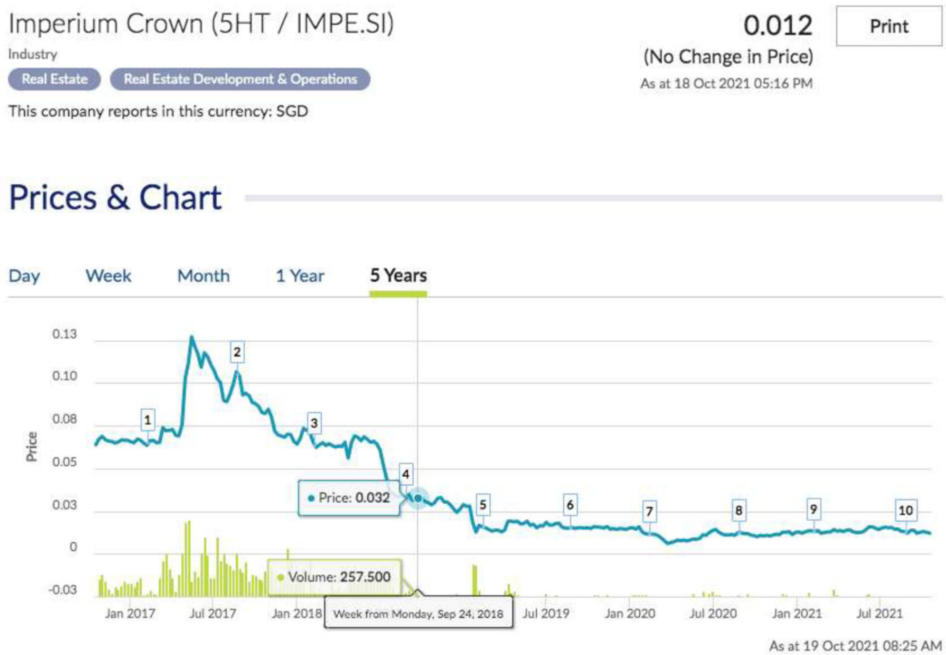
The Hongyun Lake Project sits on a land area of 13,409 square metres and will comprise retail, food and beverage outlets with a built-up area of approximately 20,822 square metres with 13 3-storey blocks to be developed over the next 3 years. More information on the Hongyun Lake Project will be shared by the Company in due course. The capital required is estimated to be approximately S$13 million and envisaged to be funded by external bank borrowings. In the event that external bank borrowings are not obtained, the Company will look to the undertakings provided by the companies controlled by the Executive Chairman, which state that such companies will continue to provide the financial support as required to the Company and its subsidiaries to meet is liabilities as and when they fall due.

Q2. On 30 October 2020, the Company announced that the long-stop date for the proposed acquisition of Global Entertainment Media Pte. Ltd. ("**GEM**") has been reached and the Company has not obtained the waiver from SGX.

The waiver was sought from SGX as the proposed transaction would be classified as a very substantial acquisition ("**VSA**"). This was due to the relative figure(s) calculated in accordance with Rule 1006(c) of the Catalist Rules exceeding 100% of the Company's market capitalisation.

The Company allowed the sale and purchase agreement ("**SPA**") to automatically lapse on 31 October 2020 and it will not be proceeding with the proposed acquisition.

The proposed acquisition was first announced more than 3 years ago on 27 September 2018. Since then, the Company's share price has fallen further from approximately 3.2 cents to 1.2 cents, with most of the decline already happening before the COVID-19 pandemic.



(Source: https://www.sgx.com/securities/equities/5HT)

i. Can the board help shareholders understand what caused the delay in obtaining the waiver from SGX?

Company's Response:

As announced by the Company on 27 September 2018, the Company entered into the SPA and submitted, through the sponsor of the Company, Stamford Corporate Services Pte Ltd (the "**Sponsor**"), a waiver application to SGX-ST on the same day.

On 7 November 2018, the Company was informed by the Sponsor that SGX had raised a query via a telephone call to the Sponsor. The Company responded to SGX-ST, through the Sponsor, via email on the same day.

On 28 March 2019, as the outcome of the waiver application was still pending, the Company entered into a supplemental agreement to the SPA to extend the long-stop date from 31 March 2019 to 30 September 2019.

On 26 September 2019, as the outcome of the waiver application was still pending, the Company entered into a second supplemental agreement to the SPA to extend the long-stop date from 30 September 2019 to 31 March 2020.

As no definitive response was received, on 11 October 2019, the Company, through its Sponsor, submitted a consultation letter to SGX-ST in connection with the waiver application to re-submit the waiver application (based on updated financial numbers).

The outcome of the waiver application was still pending. On 26 February 2020, the Company submitted a circular of the proposed acquisition and an additional listing application to the SGX-ST.

On 31 March 2020, as the outcome of the waiver application was still pending, the Company entered into a third supplemental agreement to the SPA to extend the long-stop date from 31 March 2020 to 31 October 2020.

On 30 October 2020, as the outcome of the waiver application was still pending, the SPA automatically lapsed after the long-stop date of 31 October 2020.

ii. Why was it necessary for the Company to obtain the waiver if the proposed acquisition was in the best interests of the Company? In other words, did the Board consider proceeding with the proposed acquisition as a VSA if the proposed acquisition was in the best interests of the Company?

Company's Response:

In the absence of a waiver application, the proposed application as a VSA entails higher costs in terms of the work involved, opportunity costs and additional time for completion. After 31 October 2020 on which the SPA had lapsed, the Board decided not to proceed with the proposition acquisition as a VSA in view of the ongoing COVID-19 pandemic.

iii. What is the impact of the termination of the proposed acquisition, if any, on the Group's plan (and pace) to develop WSP?

Company's Response:

Notwithstanding the termination of the proposed acquisition, the Group intends to proceed with its original plan and pace to develop the WSP, subject to the constraints presented by the ongoing COVID-19 pandemic.

Q3. The Company acquired a 60% stake in GEM in August 2017, marking over 4 years since the acquisition. With the benefit of hindsight, it would appear that the performance of GEM has been mixed, at best.

Goodwill ($6.9 million) arising from the acquisition of GEM which holds the operating rights to the WSP has been written off (page 92 – Goodwill).

Operating rights, granted to the Group to operate the WSP for 50 years commencing from year 2017 to 2067, amounted to $116.4 million (at acquisition) has been impaired twice to the tune of $(7.2) million.

As disclosed in Note 14 (Intangible assets), intangible assets were tested for impairment at the end of the reporting year. An impairment loss is the amount by which the carrying amount of an asset of a cash-generating unit ("CGU") exceeds its recoverable amount. The recoverable amount of an asset of a CGU is the higher of its fair value less costs to sell or its value-in-use ("VIU") (page 90).

The assumptions used in the VIU calculations are shown below:

	2021	2020
Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs	11.5%	13.2%
Budgeted growth rates forecasts by management based on expectations	2.5% - 80%	3% - 70%
Long term growth rate	2.5%	3%
Cash flow projections derived from the most recent financial budgets and plans approved by management	11 years	11 years

(Source: Company annual report)

i. How was the discount rate estimated? Given the uncertainties in the tourism/hospitality sectors, did the audit committee (AC) consider it reasonable to have a lower discount rate?

Company's Response:

Notwithstanding that uncertainties existing in the tourism and hospitality sectors, the estimated discount rate took into consideration other factors.

In summary, the discount rate, measured as a cost of capital, is determined through a blend of cost of equity and cost of debt, based on market variables. The primary factors for the lower discount rate are an equity risk premium decrease of 0.5%; lower beta of comparable companies' share price returns and 0.45% decrease in China's country risk premium. It reflects the lower pricing of risks and continued global liquidity in the capital markets since 2020. Based on the above, the Company (including the Audit Committee) considers the discount rate used to be appropriate.

ii. In addition, can management justify the growth rates forecasts that are as high as 80% (and up from 70% in FY2020)?

Company's Response:

As the budgeted growth rates forecasts were determined based on the different elements within the project (including leisure, office and commercial), including but not limited to the Honggyun Lake Project which was included in FY2021, the Company considers the growth rates forecasts to be appropriate.

iii. Please also disclose the range of estimated gross profit margin used in the VIU calculations.

Company's Response:

As the WSP is a project with different elements within the project (including leisure, office and commercial), the gross profit margin may fluctuate according to market conditions, especially in light of the ongoing COVID-19 pandemic. For confidentiality reasons, the Company does not think it is in its interest to publicly disclose its estimated gross profit margin used in the VIU calculations.

Management has stated that actual outcomes could vary from these estimates and management has identified that a reasonably possible change in following key assumptions could cause the carrying amount of the CGU to exceed its recoverable amount as shown in sensitivity test below (page 90-91).

Sensitivity test

	Other intangible assets $'000	Property, plant and equipment $'000
If 10% less favourable in estimated revenue, would be a need to reduce *pro-rata* the carrying value of CGU, by	22,413	3,970
If 10% less favourable in estimated gross margin, would be a need to reduce *pro-rata* the carrying value of CGU, by	27,202	4,818
If estimated pre-tax discount rate increased by 1 percentage point, it would be a need to reduce *pro-rata* the carrying value of CGU by	12,138	2,150

(Source: Company annual report)

iv. Based on the sensitivity analysis, can the AC confirm that there is a high degree of uncertainty to the carrying value of intangible assets? Is there a high risk that the recoverable value of the CGUs is much lower and thus the carrying value of intangible assets may be overstated?

Company's Response:

The financial statements of the Group were prepared in accordance with Singapore Financial Reporting Standards (International) ("**SFRS (I)**") and the related Interpretations to SFRS (I) as issued by the Singapore Accounting Standards Council. The financial statements of the Group were audited by the Company's independent auditor, RSM Chio Lim LLP. The Audit Committee confirms that the preparation of the financial statements (including the computation of the recoverable value of the CGUs and carrying value of intangible assets) is in line with the applicable requirements.

v. How is management/AC working to reduce the uncertainties in the sensitivity test (i.e. improving the confidence of the carrying value of intangible assets)? As shown in the table above, the carrying value of the CGU may be reduced by a further $(27.2) million should the estimated gross margin be 10% less favourable.

Company's Response:

The Company continues to strive to proceed with the development plan and pace for the WSP based on the projected timeline. Notwithstanding, the COVID-19 pandemic and the aftermath of the pandemic has caused and continues to cause disruptions resulting in uncertainties surrounding the Group's business and will continue to have an adverse effect on the Group's financial position, financial performance, cash flows and prospects for the foreseeable future. The extent to which the Group will be impacted is presently difficult to ascertain and the Company will continue to closely monitor the continued economic development and its impact and will update the shareholders promptly where required.

By order of the Board

Sun Bowen
Executive Chairman
28 October 2021

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*This document has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. ("the **Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST 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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