

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

RESPONSE TO QUERIES FROM THE SINGAPORE EXCHANGE REGULATION ON THE ANNOUNCEMENT RELEASED BY THE COMPANY ON (A) THE PROPOSED DISPOSAL OF THE LAND USE RIGHTS IN RESPECT OF 2 PLOTS OF LAND LOCATED IN THE SHANDONG PROVINCE OF THE PEOPLE'S REPUBLIC OF CHINA AND (B) THE PROPOSED DISPOSAL OF THE WONDER STONE HOTEL AND THE LAND USE RIGHTS IN RESPECT OF THE LAND ON WHICH THE WONDER STONE HOTEL IS SITUATED

The Board of Directors (the “**Board**”) of Imperium Crown Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) refers to the queries raised by the Singapore Exchange Regulation (the “**SGX**”) on 7 December 2022 in relation to the announcement released by the Company on 5 December 2022 (the “**Announcement**”).

Unless otherwise defined, capitalised terms used herein shall bear the same meaning as ascribed to them in the Announcement.

SGX Question 1

The aggregate consideration for the proposed land disposal is RMB28,969,115 (approximately S\$5.6 million) (the “Land Consideration”) and was arrived at on a willing-buyer willing-seller basis, taking into account, among others, the current land prices in the PRC and the original acquisition cost of the Land paid by Fei County Wonder Stone in December 2017 of approximately RMB24,000,000 (approximately S\$4.6 million).

- Was there any valuation done on the land to derive at the S\$5.6 million of Land Consideration?
- What is the current average land prices in the PRC? How did the Company and Purchaser obtain the current land prices in the PRC?

Company's response to SGX Question 1

No valuation was done on the land to derive at the Land Consideration of RMB28,969,115 (approximately S\$5.6 million).

Based on past records of land tender transactions undertaken by the local government, the current average land prices in Fei county, Shandong province is assessed by the local government to be approximately RMB817 per square meters.

Based on the collective size of the Land of 41,090 square meters, the Land is assessed to be worth approximately RMB33,570,500 (approximately S\$6.4 million). In the negotiations of the Land Consideration, (a) the Land Purchaser (being the land authority body of the local government of Fei County in the Shandong province of the PRC) took into account, the current land prices in the PRC, the prevailing policy of the local government of not being allowed to acquire assets above market prices due to difficulty in justification from a public interest perspective and therefore proposed a discount of approximately 13.7% to the current land price of the Land (typical in such transactions) in deriving the Land Consideration; and (b) the Company took into account, the current land prices in the PRC and the original acquisition cost of the Land paid by Fei County Wonder Stone in December 2017 of approximately RMB24,000,000 (approximately S\$4,615,440).

SGX Question 2

The aggregate consideration for the proposed hotel disposal is RMB87,000,000 (approximately S\$16.7 million) (the “Hotel Consideration”) and was arrived at on a willing-buyer willing-seller basis, taking into account, among others, the current property market conditions in the PRC and a valuation of the Hotel and land use rights to the Hotel Land conducted by a PRC valuer (the “PRC Valuer”) commissioned by the local government of Fei County which stated that the valuation of the Hotel and land use rights to the Hotel Land was RMB96,640,400 (approximately S\$18.6 million) as at a valuation date of 30 June 2022.

- Who is the PRC Valuer commissioned by the local government of Fei County?
- Considering that the valuation of the hotel and land use rights of the hotel land was valued at S\$18.6 million, please provide more details on the basis arriving at the S\$16.7 million Hotel Consideration, such as current hotel prices.

Company’s response to SGX Question 2

The PRC Valuer commissioned by the local government of Fei County is 山东兴城土地资产评估测绘有限公司, a PRC valuation company based in Linyi city, Shandong province, with experience in the valuation of land, buildings and businesses.

In the negotiations of the Hotel Consideration, (a) the Hotel Purchaser, being a state-owned enterprise, took into account, current property market conditions in the PRC and the valuation by the PRC Valuer, the prevailing policy of the local government of not being allowed to acquire assets above market prices due to difficulty in justification from a public interest perspective and therefore proposed a discount of approximately 10% to the valuation of the Hotel and land use rights to the Hotel Land (typical in such transactions) in deriving the Hotel Consideration; and (b) the Company took into account, current property market conditions in the PRC and the book value of Hotel and land use rights to the Hotel Land.

SGX Question 3

Upon completion of the Proposed Disposal, the Company is left with the 51% stake in Winco Construct & Décor Pte Ltd, which is in the interior design business (the “ID Business”). It is stated in the announcement that the Group intends to focus on its remaining interior design business and any other new opportunities.

- Please provide the Board’s assessment on the viability and sustainability of the ID Business and whether the Group will be a cash company under Catalist Rule 1017.
- Is the ID business generating revenue and profits for the Group and are there any sustainable order book?
- In view of the change in business direction, will there be any Board and Management changes?
- What are the Board’s and Management’s future plans for the Company?
- Is the Company seeking shareholders’ approval for business diversification in the upcoming EGM?
- What business segment are they looking to inject into the Company and whether it will be complementary to the remaining ID business?
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Company’s response to SGX Question 3

Notwithstanding that the existing business of Winco Construct & Décor Pte Ltd is generating revenue and profits for the Group, the Board is of the opinion that the existing order book, may not be able to generate profits sufficient to meet the expenses of the Company as a listed company. The Group has been taking steps to grow the ID Business and had also been in talks with other potential business opportunities in the ID Business as elaborated below. Taking this into consideration and the Proposed Disposals, the Board is currently assessing as to whether the Company will be a cash company under Rule 1017 of the Catalist Rules. The Company will provide an update to shareholders via announcements and/or in the Circular pursuant to such consultation, in compliance with the Catalist Rules

Currently, there are no plans for any Board and Management changes and in the event that the Company formalises any agreement to acquire a business that requires the approval of shareholders under Chapter 10 of the Catalist Rules, the Company will seek the approval of shareholders as appropriate, in compliance with the Catalist Rules.

As part of the future plans of the Company as determined by the Board and Management, the Company is in the process of exploring new business opportunities to grow the ID Business, including holding talks with companies complementary to the existing ID Business. Concurrently, the Company has also identified or has been approached and is in the process of holding discussions on other potential business investments. These potential business investments include:

- an interior designing company based in Singapore for collaboration, joint tendering and property development;
- a manufacturer of props for events (which is complementary to our ID Business) [based in Singapore];
- an asset management company based in Singapore which specializes in the property industry (currently in talks with the Monetary Authority of Singapore to clear the Company as a party eligible to invest in the asset management company);
- food and beverage chain of restaurants from Hong Kong interested to cultivate the Singapore market;
- pharmaceutical company based in Singapore offering a variety of pharmaceutical products, and
- an international company based in Dubai offering innovative healthcare technologies and services.

The Company will keep its shareholders updated and will release an announcement should any material development arises in relation to the above.

SGX Question 4

The total net proceeds for the Proposed Disposal amounts to approximately S\$20.8 million, of which about 80% (S\$16.9 million) will be used to repay the Group's existing liabilities, specifically the S\$12.8 million loan extended to the Group by Mr Sun Bowen (Executive Chairman). Only S\$3.8 million of the net proceeds will be utilized for future acquisitions by the Group.

- Considering that the Company will be left with no core business upon completion of the Proposed Disposal, please provide the Board's assessment and basis on how the use of the proceeds is in the best interest of the Company and minority shareholders.

Company's response to SGX Question 4

The Group noted that since the acquisition of a 60% stake in August 2017 in the Group's subsidiary, Global Entertainment Media Pte Ltd which operates in the PRC, the PRC operations had continually required funding as it was undergoing a phase of development. Since the half-year financial statements for the period ended 31 December 2017, the Group had been disclosing in its financial statements in relation to interested person transactions, that Mr Sun Bowen, through PRC entities related to him, had been funding the operations of the Group in the PRC, of which significant amounts include a loan of S\$4.8 million to the Group to submit the tender deposit for the tender of the Land in December 2017 as well as a loan of S\$6.0 million to the Group between January 2018 to June 2018 for the development of the Wonder Stone Park and the Hotel. Upon the completion of the Proposed Disposal and the receipt of the sales proceeds, the Group intends to repay the amounts owing to creditors, including third-party creditors (based on the prescribed repayment terms, if any) as well as companies related to Mr Sun Bowen. Notwithstanding the amounts owing to companies related to Mr Sun Bowen are interest free and carry no fixed repayment dates, the amounts were extended to the Group on the premise that repayment will be made upon the Group having the financial ability to do so.

The Board is of the opinion that the repayment of creditors, whether third-party creditors or otherwise, when the Group has the financial ability to do so, is an ethical business practice and is appropriate at this juncture, given that the amounts extended by such creditors to be repaid are in relation to the Land, Hotel and Hotel Land which are being disposed. The failure to repay creditors, whether third-party or

otherwise, may expose the Group to potential legal suits which are detrimental to the interest of the Company and minority shareholders. In addition, the Board believes that the amount set aside for future acquisitions is (a) in line with potential business investments which the Company has been exploring; (b) is approximately the amount remaining after repayment of the outstanding payables as mentioned above and also approximately the amount that the Company had previously extended to the Fei County Wonder Stone and will now be repaid. Therefore, the relevant amounts of the proceeds from the Disposal to be used for the purposes as set out in the Announcement was determined by the Board and Management after internal discussions and consultations on future plans for the Group, and the Board believes that the uses of proceeds are in line with the best interests of the Company and its minority shareholders at this point of time.

With the completion of the Proposed Disposal, the core business of the Group relates to the ID Business. As stated in the Company's response to SGX Question 3, the Company is in the process of exploring new business opportunities (through future acquisitions) with the balance of the net proceeds. In the event that the Company requires further funding for a business acquisition, the Company will consider all fund-raising options available, including but not limited to share placements and rights issues.

Cautionary Statement

Shareholders are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company and should consult their stockbroker, bank managers, solicitor or other professional advisers if they have any doubt about the actions that they should take.

By Order of the Board

Sun Bowen
Executive Chairman

9 December 2022

This announcement 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 announcement, including the correctness of any statements or opinions made or reports contained in this announcement.

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