

IMPERIUM CROWN LIMITED

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

RESPONSE TO QUESTIONS RECEIVED FROM SHAREHOLDERS PRIOR TO THE COMPANY'S EXTRAORDINARY GENERAL MEETING

The board of directors ("**Board**") of Imperium Crown Limited (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to refer to the documents released by the Company and dated 12 January 2023 in relation to:

- (a) circular to its shareholders (the "**Circular**") to seek approvals at an extraordinary general meeting ("**EGM**") for the (i) proposed disposal of the (1) land-use rights in respect of 2 plots of land located in Shandong Province of the People's Republic of China; and (2) Wonder Stone Hotel and the land-use rights in respect of the land on which the Wonder Stone Hotel is situated (the "**Proposed Disposals**"); and (ii) proposed diversification of the Group's business into the interior design business;
- (b) notice of EGM;
- (c) proxy form for the EGM; and
- (d) alternative arrangements for EGM to be held on 27 January 2023.

All capitalised terms used but not defined in this announcement shall have the meanings ascribed to them in the Circular.

The Board would like to thank shareholders for submitting their questions in advance of the EGM to be held, in a wholly physical format, at Singapore Polytechnic Graduates Guild, Carnation Room, Level 3, 1010 Dover Road, Singapore on 27 January 2023, at 10:00 a.m. The following are the Company's responses to all questions that were raised. Questions raised have been edited for grammar and brevity. For the avoidance of doubt, Shareholders are still entitled to attend the EGM to raise further questions at the EGM.

Question 1

Was the Board or senior management aware that the 50-year operating right for Wonder Stone Park was "not protected", and that Feixian government had the right to take it back from the company without compensation at any time? If the Board or senior management was aware, were shareholders informed before the EGM for this acquisition, and did the Board or senior management share the considerations for such a high risk investment. If the Board or senior management was not aware, why was this so, and is there any plan to seek compensation from Sun Bowen who sold the operating right to Imperium Crown? Was Sun Bowen transparent with the Board and senior management then?

Response

Pursuant to a conditional sale and purchase agreement dated 27 February 2017 (as amended and supplemented by the first addendum dated 5 May 2017 and the second addendum dated 18 May 2017) between the Company and Fortsmith Investments Limited, the Company had acquired 60% of the total issued and paid-up share capital of Global Entertainment Media Pte. Ltd. ("**GEM**") (the "**GEM Acquisition**"). Approval of Shareholders for the GEM Acquisition was obtained at an extraordinary general meeting of the Company held on 30 June 2017. For more details on the GEM Acquisition, please refer to the Company's announcements

dated 2 March 2017¹, 28 April 2017², 5 May 2017³, 18 May 2017⁴ and 11 August 2017⁵ (collectively, the “**GEM Acquisition Announcements**”) and the circular to Shareholders dated 15 June 2017⁶ (the “**GEM Acquisition Circular**”) for further information on the GEM Acquisition.

GEM owns 100% of the equity interest of Linyi Yin Sheng Wen Hua Chuan Mei Co., Ltd., an entity incorporated in the PRC (“**Linyi Yin Sheng**”). Linyi Yin Sheng in turn owns 90% of Fei County Wonder Stone. The remaining 10% of Fei County Wonder Stone is held by a state-owned enterprise representing the state government of Fei County, Shandong, the People’s Republic of China (the “**Local Government**”). Fei County Wonder Stone is the entity that held 50 years of operating rights to Wonder Stone Park (the “**Operating Rights**”), the park located in Shandong, the PRC, and owns Wonder Stone Hotel, the hotel located in Wonder Stone Park⁷.

Subsequently, the Company announced on 27 June 2022⁸ that the Group had on 22 June 2022 entered into an agreement with a state-owned enterprise representing the Local Governing to withdraw the Operating Rights. As disclosed by the Company in its announcement of 27 June 2022⁹ and the announcement in response to SGX queries on 30 June 2022, the Operating Rights were granted to the Group by the Local Government in 2017 at no cost. On that basis, the Local Government is of the view that no compensation is payable by them upon the withdrawal of the Operating Rights. In addition, the contract for the grant of the Operating Rights did not provide for any compensation by the Local Government, and withdrawal under the contract was at the right of the Local Government.

While the Company did not expressly disclose the risk of the Operating Rights being withdrawn by the Local Government without compensation in the GEM Acquisition Announcements or the GEM Acquisition Circular,

¹ <https://links.sgx.com/FileOpen/Imperium%20Crown%20-%20Proposed%20Acquisition%20of%20GEM.ashx?App=Announcement&FileID=441813>

² <https://links.sgx.com/FileOpen/Imperium%20Crown%20-%20Interim%20update%20on%20proposed%20acquisition%20of%20GEM.ashx?App=Announcement&FileID=451461>

³ <https://links.sgx.com/FileOpen/Imperium%20Crown%20-%20Proposed%20acquisition%20of%20GEM%20-%20extension%20of%20long-stop%20date.ashx?App=Announcement&FileID=452466>

⁴ https://links.sgx.com/FileOpen/Imperium%20Crown%20-%20Acquisition%20of%20GEM_Second%20Addendum.ashx?App=Announcement&FileID=454347

⁵ <https://links.sgx.com/FileOpen/Imperium%20Crown%20-%20Completion%20of%20acquisition%20of%20GEM.ashx?App=Announcement&FileID=466529>

⁶ <https://links.sgx.com/FileOpen/Imperium%20Crown%20-%20Circular.ashx?App=Announcement&FileID=457798>

⁷ For completeness, the Company subsequently entered into a sale and purchase agreement on 27 September 2018, as amended and supplemented by the first supplemental dated 28 March 2019, the second supplemental dated 26 September 2019 and the third supplemental dated 31 March 2020, with Fortsmith Investments Limited pursuant to which the Company to acquire the remaining 40% of the total issued and paid-up share capital of GEM (the “**40% GEM Acquisition**”). However, the sale and purchase agreement for the 40% GEM Acquisition automatically lapsed on 31 October 2020 as completion of the 40% GEM Acquisition had not taken place by the long-stop date of 31 October 2020. For more details on the 40% GEM Acquisition (which was not completed), please refer to the Company’s announcements dated 27 September 2018, 28 March 2019 and 26 September 2019, 31 March 2020 and 30 October 2020 for further information on the 40% GEM Acquisition.

⁸ <https://links.sgx.com/FileOpen/ICL%20-%20General%20Annt%20-%20Withdrawal%20of%20operating%20rights%20-%20Final.ashx?App=Announcement&FileID=721839>

⁹ https://links.sgx.com/1.0.0/corporate-announcements/G7FHIL8WL31YYWGJ/722332_ICL%20-%20SGX%20queries%20-%2030%20June%202022.pdf

this was a remote risk at the time that the GEM Acquisition was being undertaken in the circumstances and for the reasons set out below:

- a. The Group is of the opinion that, as at the relevant time when the GEM Acquisition was undertaken (including at the point of the extraordinary general meeting convened on 30 June 2017 to seek the approval of shareholders for the GEM Acquisition), it could not have reasonably foreseen the outbreak of the COVID-19 pandemic globally and that the Local Government would thereafter initiate a variation of the previously agreed commercialization plans which, amongst others, sought more open spaces, less commercial elements (which would lower projected revenue) and at a faster pace (which would entail higher cost outlay), which ultimately resulted in the withdrawal of the Operating Rights by the Local Government when parties were unable to reach a resolution on such a variation. Notwithstanding the efforts of the Group to negotiate with the Local Government to work out a compromise on how best the Group may work within the requirements initiated by the Local Government, the Group was of the opinion that acceding to the requirements of the Local Government would not be in the best interests of the Group. As no final resolution could be reached, the Local Government decided to withdraw the Operating Rights.
- b. The relevant provisions and clauses in the sale and purchase agreement entered into in connection with the GEM Acquisition did not expressly provide for the right of the Local Government to withdraw the Operating Rights and hence also did not provide for any compensation from Fortsmith Investments Limited (an entity wholly owned by Mr Sun Bowen) for the withdrawal of Operating Rights by the Local Government. As the withdrawal of the Operating Rights by the Local Government was a remote risk at the time that the GEM Acquisition was being undertaken and taking into consideration the then Board's views and rationale for undertaking the GEM Acquisition as set out in the GEM Acquisition Announcements and GEM Acquisition Circular, the Company had not, at the material time, included provisions relating to compensation in the event that the Operating Rights were withdrawn by the Local Government after completion of the GEM Acquisition or other similar protective provisions.

In the circumstances and for the reasons set out above, the Board is of the opinion that, at the time of the GEM Acquisition, it could not have reasonably foreseen that the Local Government would subsequently take the position that it was entitled to withdraw the Operating Rights and that it would decide to withdraw the Operating Rights on 22 July 2022. The Board is further of the opinion that there is no circumstance to suggest that Mr Sun Bowen was not transparent with the Board and senior management at the time of the GEM Acquisition regarding the potential risk of the Local Government withdrawing the Operating Rights.

Question 2

Is the Board or senior management aware of the other transactions between Sun Bowen and Henry Wee outside of Imperium Crown? I see that the company has stated specifically in the latest circular (I did not see in previous circulars) that Sun Bowen was not involved in the decision making process to sell the 2 pieces of land, as the proceeds will be used mainly to repay him. Is Henry Wee or his proxy involved in the decision making? If so, I see a conflict of interest too. Understand from the circular that Henry Wee is supporting the sale and has stated that he would not sell his shares until at least after the EGM.

Response

Based on publicly available information, the Company is aware of past transactions of another company between Mr Sun Bowen and its controlling shareholder, Mr Wee Henry.

However, the Company is unable to comment on the transactions of another company that is not part of the Group and is not aware of any conflicts of interest posed by such transactions between Mr Sun Bowen and Mr Wee Henry which will affect the Group. As disclosed in the Circular, Mr Sun Bowen had abstained as a Director from providing any recommendations on the Proposed Disposals, Further, the Board would also like to confirm

that as Mr Wee Henry is not a Director, the Proposed Disposals were undertaken and approved by the Board (save for Mr Sun Bowen who had abstained from voting on the Proposed Disposals as a Director), without the involvement of Mr Wee Henry nor any proxy connected to him.

Question 3

Is the Board or senior management aware of the relationships between Li Shanhua, Sun Xiaohui and Sun Bowen?

Response

The backgrounds of Madam Sun Xiaohui and Madam Li Shanhua were disclosed in the circular dated 15 June 2017¹⁰ in relation to the proposed placement of new ordinary shares to subscribers. Based on the disclosures of Madam Sun Xiaohui, Madam Li Shanhua and Mr Sun Bowen, the Board is not aware of the relationships between them.

Question 4

The circular cited ethics as the reason why the company should repay Sun Bowen at the first instance after the asset sales. The company paid more than S\$50m to Sun Bowen to acquire a 50-year operating right that was "not protected", and is Sun Bowen compensating the company out of ethics as well? Understand that Sun Bowen received the operating right from Feixian government at no cost. After taking more than \$50m from the company, it was perfectly logical and made business sense that Sun Bowen provided interest-free loans with no maturity date to the company. Now that the company is selling the 2 pieces of land, the company will effectively be worth almost zero if it were to repay Sun Bowen immediately, with no funds for new businesses/investments. Why would it be in the interest of the Company and minority shareholders to repay immediately? Why would the interest-free loan with no maturity date not be used to invest in potential businesses/investments instead of repaying him immediately? I do not agree with the recommendation (to repay immediately) of the directors.

Response

The Board is of the opinion that the GEM Acquisition and the provision of funds by Mr Sun Bowen to the Group are 2 separate matters.

As disclosed by the Company (under Company's response to SGX Question 4) in the announcement in response to SGX queries on 9 December 2022¹¹, 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 Wonder Stone Hotel. While 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, the Wonder Stone Hotel and the 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 the Board believes will be detrimental to the interests of the Company and its minority shareholders.

¹⁰ https://links.sgx.com/FileOpen/Imperium%20Crown-Cir%20-%20202948079_1.ashx?App=Prospectus&FileID=32017

¹¹ <https://links.sgx.com/FileOpen/Response%20to%20SGX%20query.ashx?App=Announcement&FileID=741213>

While part of the net proceeds from the Proposed Disposals have been allocated to the repayment of the ED Loan, the remaining net proceeds the Proposed Disposals have been allocated to other uses, such as the (i) partial repayment of other existing liabilities (i.e. existing liabilities other than the ED Loan, such as those owing to third-party trade creditors of the Group in the PRC, outstanding Directors' fees, staff salaries, Controlling Shareholder's loan and amounts owing to service providers of the Group), (ii) working capital (including funding of the operations and growth of the Existing ID Business and expansion into the ID Business) and (iii) future acquisition, as set out in Sections 2.4 (*Use of Proceeds from the Proposed Land Disposal*) and 3.4 (*Use of Proceeds from the Proposed Hotel Disposal*) of the Circular. As disclosed in the Circular, the use of proceeds from the Proposed Disposals was determined by the Board and management after internal discussions and consultations on future plans for the Group. The Board is of the view that the allocation of the net proceeds from the Proposed Disposals to other uses (other than the repayment of the ED Loan) is sufficient for, and in line with, the requirements of the Group.

Additionally, the Company is of the view that it will have the option to carry out future fund-raisings if the net proceeds from the Proposed Disposals allocated for working capital (including funding of the operations and growth of the Existing ID Business and expansion into the ID Business) and future acquisitions are insufficient. Any such future fund-raising activities will be carefully considered by the Board to ensure that such fund-raising activities are value-accretive and in the best interests of the Company and its Shareholders.

Question 5

If the company were to become a cash company eventually, why does the Board or senior management seek exemption of the money from escrow? I saw the reasons listed in the circular and I disagree with the reasons. For example, Winco is a very small business with not much track record, and now money is required for its potential (not firmed) business expansion. Was proper due diligence done in the first place during the acquisition stage? Why would the company acquire Winco in the first place?

Response

As set out in Section 3.4 (*Use of Proceeds from the Proposed Hotel Disposal*) of the Circular, RMB6,161,156 (approximately S\$1,184,852) is set aside for working capital of the Group (including funding of the operations and growth of the Existing ID Business and expansion into the ID Business). Specifically, and as additional disclosure, only approximately S\$50,000 within the amount set aside for working capital of the Group is earmarked for the growth of the Existing ID Business, including but not limited to the opening of a physical showroom in Singapore.

Further, the Company refers to Section 9.3 (*Application to the SGX-ST*) of the Circular on the reasons for its application to the SGX-ST on a waiver of the Escrow Requirements, the announcement released by the Company on 27 June 2022 for the rationale to acquire a 51% stake in Winco as well as Section 10.3 (*Rationale for the Proposed Diversification*) of the Circular on the rationale for the Proposed Diversification. Notwithstanding the foregoing, the Company has noted the views of the shareholder who raised this question.

By Order of the Board

Kiar Lee Noi
Company Secretary

20 January 2023

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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