



**Securities Investors Association (Singapore)**

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UEN No: S99SS0111B

GST Reg No: M90367530Y

**Issuer:** Imperium Crown Limited

**Security:** Imperium Crown Limited

**Meeting details:**

Date: 31 October 2018

Time: 10.00 a.m.

Venue: Singapore Polytechnic Graduates' Guild, Poolside Events Room, Level 1, 1010 Dover Road, Singapore 139658

**Company Description**

Imperium Crown Limited, an investment holding company, engages in the property investment and development activities in Singapore and Japan. The company's property portfolio includes residential, retail, and office properties. It is also involved in the real estate agency activities. The company was formerly known as Communication Design International Limited and changed its name to Imperium Crown Limited in June 2015. Imperium Crown Limited was founded in 1995 and is based in Singapore.

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=5HT](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5HT))

1. The group has started its initial plans to develop the Wonder Stone Park (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 (GEM) Pte. Ltd. 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
  - 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?**
- (ii) **Would the board, especially the independent directors help shareholders understand what was their role in the proposed acquisition?**
- (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?**
- (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?**
- (v) **Would the board consider that this proposed acquisition should be treated as a “Very substantial acquisition” 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.**
- (vi) **Given the heightened market risk associated with the project, including the loss off 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?**

2. 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 totaled \$(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?
- (ii) **Funding:** Please help shareholders understand what are the sources of funding available to the group. What is the level of financing headroom available?
- (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?
- (iv) **Developer’s profit margin:** In its investment thesis and projections, what is the minimum developer’s margin for this WSP 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? 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 management’s plans to avoid/minimise the dilution that comes with further fund raising?**

3. 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 redesignated 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)?**
- (ii) Would that be considered a relationship an independent director has 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?**
- (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?**

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?**

A copy of the questions for the Annual Report for the financial year ended 30 June 2017 and 30 June 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=Imperium%20Crown%20Ltd>

The company's response could be found here:

2017

<https://sias.org.sg/media/qareport/Imperium%20Crown%20-%20response%20to%20SIAS%20queries%202017.pdf>



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