

# **IPCO INTERNATIONAL LIMITED**

(Company Registration No. 199202747M)  
Incorporated in Singapore

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## **QUARTERLY UPDATE PURSUANT TO RULE 1314(2) OF THE LISTING MANUAL**

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### **INTRODUCTION**

IPCO International Limited (the “Company”) was placed on the minimum trading price Watch-List pursuant to Rule 1314(2) of the Listing Manual with effect from 5 June 2017. Accordingly, the Company must meet the requirements under Listing Rule 1314(2) within 36 months from 5 June 2017, failing which SGX-ST would delist the Company or suspend trading in the company’s shares with a view to delisting the Company. Listing Rule 1314(2) states that the Company will be assessed by SGX-ST for removal from the Watch-List if it fails to record a volume-weighted average price of at least S\$0.20 and an average daily market capitalisation of S\$40 million or more over the prior six months.

Rule 1313(2) of the Listing Manual requires the Company to provide quarterly updates on its efforts and the progress made in meeting the exit criteria of the watch-List, including where applicable, its financial situation, its future direction, or other material developments that may have a significant impact on its financial position.

The Board of Directors of the Company wishes to provide an update to its Audited Report 2017 to its shareholders and investors as follows:

### **UNAUDITED FINANCIAL PERFORMANCE AND FINANCIAL POSITION**

The Company had released the unaudited results for 1QFY2018 for the Company and the Group on 13 September 2017. Full details can be found on the SGX-ST’s and the Company’s websites.

The Company wishes to highlight that the Group’s loss was S\$1.0 million in 1QFY2018 (1QFY2017: loss of S\$0.4 million). Loss per share was 0.018 cents in 1QFY2018 (Earnings per share of 0.01 cent in 1QFY2017).

The Company also wishes to highlight that as at 31 July 2017, the Group had net current liabilities of S\$9.36 million, mainly due to S\$31.08 million of trade and other payables and bank borrowings of S\$8.7 million. The trade and other payables comprise S\$23.4 million from China subsidiaries and S\$7.68 million creditors of the Group’s other subsidiaries.

The Company is of the opinion that the Group is not in a critical net current liability position, as these creditors and subcontractors, who are engaged primarily for long-term construction of Compressed Natural Gas (“CNG”) stations and pipelines, have not make any demands for immediate settlement.

In addition, the total land lots recorded as inventories in Capri Investments L.L.C. (“Capri”) are currently carried at cost on the Company’s balance sheet. On the other hand, based on the

latest valuation conducted by an independent real estate valuation firm, the market potential is considerably higher. Once an agreement is signed with a developer, Capri will be able to realise the potential market value of its land inventory, thereby raising cash for the Group's operations.

## **PLACEMENT SHARE EXERCISE**

On 28 August 2017, the Company received Approval-In-Principle from the Singapore Exchange Securities Trading Limited (The "SGX-ST") for the listing of and quotation for the 880,000,000 Subscription Shares on the Main Board of the SGX-ST to Meridian Equities Pte. Ltd. ("Subscriber") for an aggregate subscription amount of S\$1,584,000.

On 7 September 2017, the Company allotted and issued the Subscription shares to the subscriber, and the Subscription was completed. Following the completion of the Subscription, the Company's issued and paid-up share capital (excluding treasury shares) has increased from 5,300,799,986 Shares to 6,180,799,986 Shares.

The Company has decided to use 50% of the entire Net Proceeds from the Placement Shares for working capital and the balance 50% for development of land in Washington State, USA, as per an announcement made on 5 September 2017.

## **FURTHER DIRECTIONS**

The Company is an investment holding company with the objective of building a portfolio of businesses and investments with growth potential that can deliver consistent profits and positive cash flow.

The Company is currently focused on three principal operating subsidiaries as follows:

1. Hubei Zonglianhuan Energy Investment Management Inc., focusing on natural gas distribution in the Peoples' Republic of China ("PRC");
2. Capri Investments L.L.C., engaged in real estate development in the State of Washington, USA; and
3. ESA Electronics Pte Ltd, based on Singapore and engaged in the electronics sector.

The Group's wholly-owned subsidiary Excellent Empire Ltd, in turn via its wholly-owned subsidiary China Environmental Energy Protection Investment Ltd ("China Environmental"), through a restructuring of its subsidiaries in the PRC, holds an 85% equity interest in Hubei Zhonglianhuan Energy Investment Management Inc. ("HZLH"), which in turn holds 100% equity interests in four companies supplying natural gas under 30-year exclusive contracts in the cities of Anlu, Dawu, Xiaochang, and Guangshui in Hubei Province, PRC. These contracts have an average remaining life of 20 years.

Recently, HZLH has invested considerably in the construction of CNG stations and pipeline installations to link to new households and industrial users. The completion of the Dou Shan gateway to Xiaochang City should create opportunities for more connection revenue along with more sales to new industrial customers, while simultaneously reducing transportation costs. In the current quarter we expect to finish construction of an 18 kilometre main pipeline from Yang Zai to Wang Jia Peng, which will enable natural gas transmission from the new substation link to our Phase One network in Guangshui and a new industrial park. The total estimated cost is RMB 65 million, which should provide the infrastructure required to

support revenue and earnings growth as the customer base continues to expand.

Capri, in which the Group holds a 100% equity interest, is engaged in real estate development near the cities of Seattle and Tacoma in the state of Washington, USA. The residential real estate market in the Pacific Northwest has become increasingly favourable for continued development, as the supply of lots permitted for new home construction has become limited relative to the demand by new home builders.

Since 2015 new single-family homes in the immediate vicinity of Pierce County (where Capri's land is located) have seen price increases of nearly 20%. As per an article in The Tacoma News Tribune dated 21 January 2017, the most recent data compiled by Windermere Professional Partners, a real estate firm in Tacoma, indicates only 1.5 months of home inventory in Pierce County, with homes remaining on the market for an average of 26 days. According to real estate data firm Redfin, as quoted in an article in The Tacoma News Tribune dated 23 May 2017, Pierce County is tied with the Portland, Oregon area for being the third fastest moving housing market in the USA.

In view of this, a feasibility study has been conducted to design and obtain regulatory approvals for the next phase of development comprising 261 lots, with marketing expected to commence during the current quarter. Assuming the local real estate market continues to remain favorable, Capri's management expects to realize substantial sale proceeds from the sale of 261 raw lots to a real estate developer.

The Group holds an 81.25% equity interest in ESA Electronics Pte Ltd ("ESA"). ESA is a Singapore-incorporated company engaged in the business of assembling, trading and providing consultancy services in the semiconductor industry. ESA also acts as agents and distributors of semi-conductor back-end equipment, such as burn-in systems, vision inspection systems and test systems. Worldwide market conditions are uncertain, causing a lower demand in the current year for burn-in boards by semi-conductor manufacturers of personal computer components and electronic devices. The demand for our Automated Optical Inspection equipment is also affected by market uncertainty. Nonetheless, ESA is anticipating more orders for its OEM line of business, especially customised products that are high mix and low volume. ESA has secured bookings of S\$5.5 million in the first quarter of FY 2018 and is in negotiation to obtain another S\$3 million of bookings in the third quarter of FY 2018.

We are encouraged by the accomplishments and prospects for our three primary subsidiaries and look forward to their continuing development and contributions to the Group.

The Company's outlook is based on reasonable assumptions concerning the Company's present and future business strategies and the environment in which the Group will operate. These views necessarily involve risks, uncertainties and assumptions. Actual performance can differ materially from the Company's outlook.

#### **By Order of the Board**

Carlson Clark Smith  
Executive Director and Chief Financial Officer  
13 September 2017