

IPCO INTERNATIONAL LIMITED

(Company Registration No. 199202747M)
Incorporated in Singapore

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

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 records 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 of its efforts to put itself in a position to apply to the SGX-ST for removal from the Watchlist.

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 the businesses of its 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”);

As published by Bloomberg on 18 October 2017 (<https://www.bloomberg.com/news/articles/2017-10-18/china-is-about-to-do-for-global-gas-demand-what-it-did-for-oil>), China is in a “golden age” for natural gas that will make it the world’s biggest user of the fuel sometime between 2040 and 2050, according to analysts at Sanford C. Bernstein & Co.

According to the article, “Growth in 2017 has shown significant improvement over 2016, as government policies to stimulate gas demand growth are starting to pay dividends”, China’s gas consumption is expected to rise to 300 billion cubic meters

("BCM") in 2020 from 206 BCM in 2016, and surge to 600 BCM by 2040. After that, China is seen outstripping the U.S. in natural gas consumption to become the biggest user of the fuel in the world, according to Sanford C. Bernstein & Co.

Furthermore, the Wall Street Journal on 23 January 2018 (<https://www.wsj.com/articles/china-sucks-gas-out-of-global-market-amid-shift-from-coal-1516703401>) opined, "China is replacing coal with gas, sucking up global supplies of the fuel and pushing up the price of liquefied natural gas to a three-year high."

The Company believes that its subsidiary, Hubei Zhonglianhuan Energy Investment Management Inc., is in a good position to benefit from the PRC Government's efforts and focus to reduce pollution and increase gas as part of the China's energy mix. In the near future, Zhonglianhuan should contribute towards strengthening of the Company's overall financial position.

2. Capri Investments L.L.C., engaged in real estate development in the State of Washington, USA;

On 28 March 2018 Singapore time, the Hearing Examiner released his decision granting the twenty-first annual extension of the preliminary plat, with conditions. The major conditions imposed by the Hearing Examiner are:

1. Residential lots capped at 592 units, all of which are single-family detached.
2. Compliance timeline for completion of Phases 1-10 of the Preliminary Plat/PDD approval for Falling Water consisting of 261 residential lots; future annual extensions will be granted through buildout as long as compliance with the timeline is achieved.
3. Tracts designated for future development shall be evaluated for non-residential uses permitted in the underlying zone at the time of application.

With the extension having been granted, the Company is now focused on completing the engineering work plans required as per the extension approval and compliance timeline, which include boundary and topographic design surveys, design and approval of the large on-site sewerage system and the attendant approval-in-principle from Washington State Department of Health ("DOH"). When final engineering construction plans are completed, the Company will be in a position to commence marketing the 261 residential lots to local home builders. Barghausen Consulting Engineers Inc has been appointed as lead engineers and their initial time estimate for said engineering works is between nine to twelve months, depending on the availability of the sub-consultants and the approval process of the DOH.

In a report dated 12 April 2018 prepared for the Company by John L Scott, a leading local real estate firm, based on data available on 31 March 2018, Pierce County's average home sale price has increased from \$275,000 to \$450,000 over the last 5 years, resulting in an approximately 63% appreciation in the 5 year period. This translates into an average appreciation of about 12% per year for the last 5 years. Whilst, in Bonney Lake, the average sale price over the last 5 years has gone from \$350,000 to \$550,000, resulting in an average 5 year appreciation of about 11.5% annually and total appreciation of approximately 57%.

3. ESA Electronics Pte Ltd, based in Singapore and engaged in the electronics sector.

The Company 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 vision inspection systems and test systems. As published in the Company's 3rd quarterly results, ESA experienced strong third quarter revenue growth compared with the previous quarter driven by demand from Taiwan. The fourth quarter, as seen in previous financial years, is typically a slower quarter for the semiconductor industry. This is anticipated to have an effect on the financial performance of ESA.

The Company is, therefore, cautiously optimistic that improvements and further development of the businesses of the 3 subsidiaries will bring about renewed interests in the Company's securities, and share price. Notwithstanding the outlook provided by the Company, the Company has had preliminary discussions with financial advisors and will also look into consolidation of its issued share capital if it is determined by the Board to be an appropriate action for the Company to take in due course.

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. Shareholders are advised to trade with caution, if they intend to acquire or dispose of their shares.

By Order of the Board

Allan Tan Poh Chye
Company Secretary
18 April 2018