

**IPC CORPORATION LIMITED**  
(Company Registration No. 198501057M)  
(Incorporated in the Republic of Singapore)

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**THE SALE OF THE PROPERTIES LOCATED AT NO. 7 AND NO. 11 TANGQI ROAD, TANGJIA,  
ZHUHAI, GUANGDONG PROVINCE, THE PRC**

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IPC Corporation Limited (“**IPC**” or the “**Company**” and together with its subsidiaries, the “**Group**”) sets out its response to the queries raised by the Singapore Exchange Regulation (the “**SGX**”) on 12 June 2023 in relation to the Company’s announcement on 8 June 2023 (the “**Sale of Properties Announcement**”), as follows:

*Unless otherwise defined, all capitalised terms used herein shall have the same meanings ascribed to them in the Sale of Properties Announcement.*

**Query 1**

**Please disclose how the Purchaser was introduced to the Company, the identity of the introducer, whether any commissions were paid, to whom the Purchaser was introduced to in the Company and to confirm whether the Purchaser is acting as a nominee or on behalf of any other persons in respect of the purchase.**

**Company Response:**

The Purchaser approached IPC Zhuhai directly. There is no introducer involved nor any commission to be paid in respect of the Sale.

The Purchaser has verbally represented that he is making the acquisition in his own capacity, and as far as the Company is aware, the Purchaser is an independent third party who is not related to any of the Group’s directors and/or controlling shareholders.

Over the last 5 years, IPC Zhuhai has appointed a number of marketing agents to market and sell the Properties but to no avail.

**Query 2**

**Please also provide background details of Rong Shaoming, his business and professional background. Please also confirm whether there are any back-to-back arrangements (whether written or otherwise) between Rong Shaomin and any persons to transfer or dispose of any of his interest in the Properties.**

**Company Response:**

The Purchaser has informed the Company that he is a businessman and has real estate investments in residential, commercial and hotel properties.

The Purchaser has verbally represented that he is making the acquisition in his own capacity, and the PPA was signed by the Purchaser in his own personal name. The Company is not aware of whether there is any arrangement between the Purchaser and any other persons to transfer or dispose of any of his interest in the Properties.

### **Query 3**

**We note that the total consideration for the Properties of RMB 180 million was arrived at on a willing-buyer willing-seller basis, after taking into consideration, amongst others, the bleak outlook of the property market and the slowing economic growth in the PRC.**

**Please elaborate on the basis for the Company's statement on the bleak outlook of the property market in China in relation to the Clubhouse and Hotel, and to substantiate why the disposal of the Properties is in the best interest of the Company and its shareholders.**

#### **Company Response:**

China's economic consumer price index, producer price index and import and export data all show that the momentum of economic recovery post-Covid 19 is weakening; consumer demand is not strong; and the real estate market is continuing to decline. The Properties have been completed for more than 10 years and the maintenance costs of facilities and equipment are high. Additional investment and upgrading are urgently needed if the Group were to retain these Properties. Under such circumstances, the Company expects the performance of the Properties to weigh down the financial performance of the Group for the foreseeable future if they remain unsold.

With the Sale, the financial position and liquidity of the Group is improved, thereby allowing the net proceeds from the Sale to be diverted into other investments to generate better returns for shareholders.

### **Query 4**

**We note that in the event that the titles of the Properties fail to be transferred to the Purchaser due to reasons attributable to IPC Zhuhai, the Purchaser is entitled to terminate the PPA and IPC Zhuhai shall refund an amount equivalent to twice the Deposit amount to the Purchaser. Please disclose:**

**(a) how is this on normal commercial terms and substantiate with details, considering the amount that can be forfeited by IPC Zhuhai in the event of default by the Purchaser, is only half the amount payable to the Purchaser in the event of default by IPC Zhuhai;**

#### **Company Response:**

It is customary practice in China and is legally permitted. In any case, this is a commercial issue and based on the Company's assessment, the risk of default by IPC Zhuhai is remote as the Completion is within the Group's control and of the Group's own volition.

**(b) whether this practice for the seller to pay twice the deposit, i.e. double the amount that can be forfeited by the seller from an individual purchaser, is a common practice in China; and**

#### **Company Response:**

It is customary practice in China and is legally permitted.

**(c) the basis for the Board's and Audit Committee's views in relation to the terms for the Company to refund an amount equivalent to twice the Deposit amount, and explain how this is not prejudicial to the Company. Please substantiate its views with details.**

#### **Company Response:**

It is a customary practice in China and is legally permitted. Considering the Purchaser is putting up a deposit of RMB 20 million upfront, representing 11% of the Consideration, the Purchaser has a financial exposure of RMB 20 million immediately upon signing the PPA. Pursuant to the Company's announcement dated 12 June 2023, the Deposit has been paid. Furthermore, as mentioned above, the Completion is within the Group's control and of the Group's own volition, and given that there is no reason for the Group not to proceed with the Sale, the Board and Audit Committee take the view that the risk of such refund clause being activated is remote. Accordingly, this clause is not prejudicial to the Company.

#### **Query 5**

Please disclose whether the Deposit of RMB 20 million will be used to offset against the Final Tranche Payment of RMB 30 million. If not, please explain the payment terms.

#### **Company Response:**

The Deposit will form part of the payment for the 1<sup>st</sup> Tranche Payment as stated in the announcement dated 8 June 2023 (the “**8 June Announcement**”). Kindly refer to paragraph 3.1.2 (b) of the 8 June Announcement which stated that “ *the Purchaser shall pay the first tranche payment of RMB 50 million (equivalent to approximately S\$9.470 million<sup>1</sup>) (including the Deposit) (the “**1<sup>st</sup> Tranche Payment**”) by no later than the date falling three (3) working days after the signing of the formal commodity property sale and purchase agreement (商品房买卖合同) (the “**SPA**”) in respect of the Sale;*”

#### **Query 6**

We note that pursuant to the PPA, the Parties shall enter into a standard form of SPA as required by the government of the PRC. The rights and obligations of the Parties in respect of the Sale shall be governed by the SPA.

Please disclose:

(a) whether the terms of the SPA will supersede the terms of the PPA; and

#### **Company Response:**

Yes.

(b) whether the Company expects the terms of the SPA to deviate from the terms of the PPA and if so, which are the terms and what are the safeguards in place to ensure that the interests of the Company and its shareholders are protected.

#### **Company Response:**

The Company does not expect that there will be significant deviation in respect of the core commercial terms, except for the probable inclusion of legal terminology such as covenants, contingent liabilities, encumbrances etc. In any case, this is a standard form contract mandated by the government of the PRC in respect of all such property sales. In the unlikely event that there is any material deviation, the Company will engage in such necessary negotiations to ensure that the interests of the Company and its shareholders are protected. In addition, timely announcements will be made to notify shareholders of any updates.

#### **Query 7**

We note that (i) the risk to the Company changes significantly due to the increase in loss from S\$7.5 million before the sales to S\$17.6 million after the sales; and (ii) the net asset value (“NAV”) of the assets to be disposed of is 88.0% of the Group’s NAV, constituting a substantial part of the Company’s business. Hence, the disposal of the Properties is not in the ordinary course of business. The Company is required to comply with Listing Rules 1010 and 1014 and seek shareholders’ approval accordingly, given that the ratios under Listing Rule 1006 exceeds 20%.

Further, as the ratios under Listing Rule 1006 exceed 75%, the Company must appoint a competent and independent valuer to value the assets to be disposed.

#### **Company Response:**

The Company is seeking clarification from the Exchange on this and shall follow up with an announcement in due course.

### **Query 8**

We note that the total sale consideration of S\$34.092 million is below the valuation of S\$40.072 million as at 31 December 2022 and S\$34.134 million as at 31 May 2023. The sale consideration is also below the aggregate book value of the Properties of S\$39.168 million.

Please disclose:

**(a) whether the Company has solicited and received any other offers for the Properties, and whether the offer made by the Purchaser represents the highest offer received by the Company to-date;**

#### **Company Response:**

Please refer to the Company's response to Query 1 above.

**(b) the rationale for disposing of the Properties below valuation and at a loss; and**

#### **Company Response:**

It is the Company's business decision to unlock cash from its loss-making assets with unfavourable near-term value. This will improve the Group's liquidity and enable the Group to utilise the proceeds to source for new investment opportunities with a view to turning the Group into profitability and exit from the watch-list, which would otherwise be almost impossible as the Properties are expected to remain loss-making in the foreseeable future.

**(c) how is the net loss on sale of S\$10.085 million calculated.**

#### **Company Response:**

Net book value for the Properties as at 31 Dec 2022 :	S\$ 39.168 million
Selling price of RMB 180 million based on the exchange rate of 1 RMB : 0.1894 :	S\$ 34.092 million
Estimated total taxes in China of RMB 26.445 million based on the exchange rate of 1 RMB : 0.1894 :	S\$5.009 million
Estimated total losses :	S\$10.085 million

### **Query 9**

We note that the updated valuation of the Clubhouse and Hotel has declined from S\$8.986 million and S\$31.086 million as at 31 December 2022 to S\$7.686 million and S\$26.448 million respectively as at 31 May 2023.

Please disclose:

**(a) the identity of the valuer who conducted the valuation in December 2022 and in May 2023;**

#### **Company Response:**

The valuer which conducted both valuations is Zhuhai Rongzheng Real Estate Assessment Consultation Limited Company (珠海荣正土地房地产与资产评估有限公司).

**(b) the factors that caused the significant decline in valuation in May 2023, and the reasons why the Company is selling the Properties at a significant loss despite already providing an impairment on the Properties;**

#### **Company Response:**

Please refer to the Company's response to Query 3 above.

**(c) the specific changes in the respective assumptions which resulted in the significant decline in valuation of S\$5.938 million from S\$40.072 million to S\$34.134 million. Please quantify the changes in each of these assumptions and justify the reasons for applying the changes;**

#### **Company Response:**

The Valuer used the market comparison and income approach methodology, which is the same used in the 31 December 2022 valuation report. The decline in value is due to adverse market conditions, as well as a discount factor applied due to bulk sales.

**(d) the Audit Committee's ("AC") view on whether the valuation methodologies used are appropriate, given the purpose of the valuation is for sale. Please disclose the basis for the AC's view; and**

#### **Company Response:**

The AC is of the view that the valuation methodologies used are appropriate as: (a) the independent valuers engaged are the same as those appointed to determine the carrying amounts of the property assets for the Group's audit for the 2022 financial year; and (b) the valuation methodologies used by the independent valuers are consistent with those applied in the audited financial statements of the Group for the 2022 financial year.

**(e) a copy of the valuation report as at 31 December 2022 and the latest valuation.**

#### **Company Response:**

Please see attached.

**BY ORDER OF THE BOARD**

Ngiam Mia Hai Bernard  
Director

14 June 2023