IPC CORPORATION LTD
(Company Registration Number: 198501057M)

RESPONSES TO QUERIES FROM THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED ("SGX-ST") ON THE UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 ("FY2018 RESULTS")

The Board of Directors of IPC Corporation Ltd (the "**Company**" and together with its subsidiaries, the "**Group**") wishes to provide the following information in response to SGX-ST's queries on 21 February 2019 in respect of the Group's FY2018 Results:

SGX-ST's Query 1:

The Company disclosed in its **3Q2018 Results** that "other losses" was mainly due to the write-down of $1.452 million on Ju Ren Da Sha, a land held for development. This "write-down was due to the sale of the Group's entire 24% interest" in Ju Ren Da Sha. It explained that "the sale was completed on 18 October 2018 which resulted in the loss of $1.452 million". As at 30 September 2018, Sales for 9m2018 amounted to $2.9million. Sales reported in FY2018 Results amounted to $9.019 million, an increase of $6.108 million from 9m2018. The Company explained that the increase of its Sales to $9.019 million was mainly due to its sales of the entire 24% interest in the land held for development, Ju Ren Da Sha. Please elaborate on the significant Sales of $6.108 million booked in 4Q2018 and provide a breakdown for material items.

Company's Response to Query 1:

The significant Sales of $6.108 million was mainly contributed by the sale of Ju Ren Da Sha as shown in the breakdown of the 4Q2018's sales as follows:

	$'000
Land held for development ("Ju Ren Da Sha")	**4,970**
Hotel management	**1,138**
	6,108

<u>SGX-ST's Query 2:</u>

The Company disclosed in its FY2018 Results that it had adopted SFRS(I)(9) wef 1 Jan 2018 which introduces new requirements for classification and measurement of financial instruments, impairment of financial assets and hedge account with expanded disclosure requirements and changes in presentation. Accordingly, the effects of applying the new standards resulted in the increase in Financial Assets, at FVPL from Nil to $3.2 million as at 1 Jan 2018. In Note 3 on page 2 of its FY2018 Results, the Company further elaborated that "other gains" of $31.34 million in FY2018 was "mainly attributed to the fair value gain on financial assets at FVPL which relates to the Group's preference shares investment in NHJC." Please disclose the cost of investment in the Nest Hotel Japan Corporation (NHJC) Preference Shares and elaborate how the cost of investment resulted in the sudden significant gain of $31.34 million in 4Q2018. Please elaborate how the Fair Value Measurement was derived, the methodology and assumptions applied in arriving at the value of the Fair Value.

<u>Company's Response to Query 2:</u>

The carrying amount of investment in NHJC as at 31 December 2018 was $34.6 million (the original cost of investment was $0.1 million). The valuation was performed by an independent valuer as at 31 December 2018 and this is in line with our corporate practice to perform yearly valuation. The significant gain of $31.3 million in 2018 was mainly due to 100% increase in number of hotels being operated by NHJC by the end of 2018 from 6 to 12 hotels and by the end of 2020, another 6 hotels in the pipeline will be added, resulting in a total of 18 hotels that NHJC will manage in Japan. NHJC managed only 6 hotels in 2015 and there was no increase in the number of hotels under its management till 2018. In addition, these 6 hotels were previously owned by the Group before they were sold to a hotel owner. In 2018, NHJC had a breakthrough where they were able to secure contracts to operate hotels owned by other hotel owners.

Fair value measurement was derived by an independent valuer from Japan, from a firm of international repute. They have used the option pricing models to determine the valuation of the NHJC preference shares. Part of the preference shares valuation was the equity valuation which was determined based on the income approach and market approach. Key assumptions included the cash flow projections, discount rate, terminal growth rate, discount for lack of control, discount for lack of marketability, and market multiples of comparable companies.

On Behalf of the Board

Lauw Hui Kian
Director

22 February 2019