

IPCO INTERNATIONAL LIMITED

Company Registration No.: 199202747M
(Incorporated in Singapore)

RESPONSE TO SGX QUERIES ON ANNUAL REPORT 2017

The Board of Directors (the “Board”) of IPCO International Limited (the “Company”) and together with its subsidiaries, the “Group”) refers to queries raised by the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 18 August 2017 in relation to the Company’s Annual Report for the financial year ended 30 April 2017 (“Annual Report 2017”) and noting the Independent Auditor’s findings on going concern issues in the Auditors’ report. The Company wishes to provide further information as follows:

Question 1:

The Board’s opinion if the Company will be able to operate as going concern and basis for the board’s view

The Directors of the Company are of the opinion that the Company will be able to continue to operate as a going concern. This is largely based on the strong financial performance and prospects of the Group’s three primary subsidiaries. These are:

1) Capri Investments L.L.C. (“**Capri**”)

The Group holds a 100% equity interest in Capri, which 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 favorable for continued development, as the supply of lots permitted for new home construction has become limited relative to the demand by new home builders. 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 in 2017.

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 United States of America.

Capri has negotiated the final terms of a Listing Agreement with TeamBuilder KW, LLC of Washington State, USA, for the sale of 261 lots at an aggregate price of US\$ 13 million. Assuming the local real estate market continues to remain favorable, Capri's management expects to realize substantial sale proceeds within six months of listing.

2) Hubei Zonglianhuan Energy Investment Management Inc. ("**HZLH**")

The Group's wholly-owned subsidiary, Excellent Empire Limited, in turn via its wholly-owned subsidiary, China Environmental Energy Protection Investment Ltd, through a restructuring of its subsidiaries in the People's Republic of China ("PRC"), holds an 85% equity interest in HZLH, which in turn holds 100% equity interests in four subsidiaries 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 contract life of 20 years.

During the financial year ended 30 April 2017, HZLH has continued to generate profits: These were RMB15.8 million, an increase of 61% over the previous financial year. Recently HZLH has invested considerably in the construction of Compressed Natural Gas ("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 sales to new industrial customers, while reducing transportation costs.

Based on HZLH's financial report for the six months ending on 30 June 2017, HZLH's revenue has grown by 23% and net profits by 54%, as compared with the previous corresponding financial period.

Revenues and profits have increased due in large measure to the completion of the main pipeline from the Dou Shan gateway to Xiaochang City. Capital expenditures have been financed primarily through PRC bank loans. The senior management of HZLH believes that its bankers and suppliers will continue to provide financing to support the growth of HZLH.

3) ESA Electronics Pte Ltd ("**ESA**")

The Group holds an 81.25% equity interest in ESA, a Singapore incorporated company dealing in the business of assembling, trading and providing consultancy services in the semiconductor industry. ESA acts as agents and distributors of semi-conductor back-end equipment, such as burn-in systems, vision inspection systems and test systems.

ESA has secured bookings of S\$5.5 million for the first quarter of 2018 and is in negotiation to obtain another S\$3 million of bookings in the third quarter of 2018.

The Board believes that ESA will continue to generate profits and provide financial support to the Company.

In addition, as announced on 3 July 2017, the Company is seeking funds through a placement exercise to strengthen its liquidity and to provide working capital for the Group's operations. The placement details have been submitted to SGX-ST, and the application is pending. In the meantime the placee, Meridian Equities Pte Ltd, has agreed to extend the placement agreement until 28 August 2017.

Question 2:

The Board's confirmation that all material disclosures have been provided for orderly trading for the Company's shares to continue.

The Board has confirmed that all material disclosures and information have been provided for orderly trading for the Company's shares to continue in accordance with Rule 703 of Listing Manual.

The Board would like to take this opportunity to update shareholders with regard to the Transaction relating to Employee Share Scheme of Xiaogan He Shun Investment Management Centre LLP ("He Shun"), in which two additional partners were admitted, whereby the registered capital granted to the two new partners represents 5% indirect interest in HZLH.

As noted on page 10 of the Independent Auditor's Report, this recently took place without discussion with or approval from the Board of Directors or the Remuneration Committee of the Company.

The Board has sought legal advice, and the Company is in advanced discussions with He Shun management to resolve this matter favorably.

The Company will provide further updates of significant developments concerning this issue.

BY THE ORDER OF THE BOARD

Carlson Clark Smith
Executive Director and Chief Financial Officer
22 August 2017