

## **PROPOSED CAPITAL REDUCTION**

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### **1. INTRODUCTION**

The Board (the “**Board**”) of Directors (the “**Directors**”) of IPC Corporation Ltd (“**IPC**” or the “**Company**”, and together with its subsidiaries, the “**Group**”) wishes to announce that the Company proposes to undertake a capital reduction exercise pursuant to Section 78A, read with Sections 78C to 78F, of the Companies Act (Chapter 50) of Singapore (the “**Companies Act**”), which will involve a cash distribution (the “**Cash Distribution**”) to shareholders of the Company (the “**Shareholders**”) of approximately S\$1.60 in cash for each ordinary share (the “**Share**”) in the capital of the Company held by a Shareholder as at a books closure date to be determined by the Directors (the “**Books Closure Date**”), amounting to an aggregate distribution of approximately S\$136.467 million (the “**Proposed Capital Reduction**”).

### **2. THE PROPOSED CAPITAL REDUCTION**

#### **2.1 Details of the Proposed Capital Reduction**

The Company is proposing to return S\$1.60 in cash for each Share held by Shareholders or on their behalf as at the Books Closure Date. Based on the issued and paid-up share capital of the Company of approximately S\$169,982,780 comprising 85,291,885 Shares, as at the date of this announcement, an aggregate amount of approximately S\$136.467 million will be returned to Shareholders pursuant to the Proposed Capital Reduction.

The actual aggregate Cash Distribution to be made to the Shareholders pursuant to the Proposed Capital Reduction will be based on the issued and paid-up share capital of the Company as at the relevant Books Closure Date.

**The Proposed Capital Reduction will not result in a cancellation of Shares, or change in the number of Shares held by any Shareholder. Each Shareholder will hold the same number of Shares before and immediately after the Proposed Capital Reduction.**

#### **2.2 Rationale for the Proposed Capital Reduction**

The Board is of the view that the Proposed Capital Reduction is in the best interests of the Group, as the Cash Distribution comprises paid-up capital in excess of the immediate requirements of the Company and thus, the Proposed Capital Reduction will allow the Company to achieve a more efficient capital structure.

Following the completion of the Proposed Capital Reduction, the Board believes that the Company is able to maintain a sufficient capital base to support its existing operations and to pay its debts as and when they fall due.

### 2.3 Funds for the Proposed Capital Reduction

The Proposed Capital Reduction will be funded from existing cash and cash equivalents, including the net proceeds (the “**Net Proceeds**”) received by the Company arising from the disposal of its seven hotels, being “nest HOTEL matsuyama”, “nest HOTEL kumamoto”, “nest HOTEL naha”, “nest HOTEL osaka shinsaibashi”, “Smile Hotel Asagaya”, “Smile Hotel Asakusa” and “Comfort Hotel Okayama” (the “**Disposal**”). As announced by the Company on 6 November 2015, the Net Proceeds were to be utilised for the Proposed Capital Reduction to allow the Company to achieve a more efficient capital structure.

### 2.4 Conditions of the Proposed Capital Reduction

The Proposed Capital Reduction is subject to, *inter alia*, the following:

- (a) the clearance of the circular to Shareholders on the Proposed Capital Reduction (the “**Circular**”) by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”);
- (b) all the Directors making a solvency statement in relation to the Proposed Capital Reduction and compliance with other relevant solvency requirements as prescribed by the Companies Act;
- (c) the approval of Shareholders by way of a special resolution for the Proposed Capital Reduction (the “**Capital Reduction Resolution**”) by a majority of not less than three-fourths of the Shareholders present and voting at an extraordinary general meeting (“**EGM**”) to be convened;
- (d) compliance with the applicable publicity requirements as prescribed in the Companies Act;
- (e) no application having been made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the period of six (6) weeks beginning with the date of the Capital Reduction Resolution, or if such application was made, the withdrawal or dismissal thereof by the judicial authorities;
- (f) lodgement of the relevant documents with the Accounting and Corporate Regulatory Authority of Singapore after the end of six (6) weeks (but before the end of eight (8) weeks) beginning with the date of the Capital Reduction Resolution; and
- (g) the approval of all other relevant regulatory authorities (if any and if necessary).

### 2.5 Financial Effects of the Proposed Capital Reduction

For illustrative purposes only and based on the latest audited consolidated financial statements of the Group for the financial year ended 31 December 2014 (“**FY2014**”), the financial effects of the Proposed Capital Reduction on *inter alia*, the share capital, net tangible assets (“**NTA**”) per Share, earnings per Share (“**EPS**”) and gearing of the Company and the Group, as the case may be, are set out below. The financial effects of the Proposed Capital Reduction do not purport to be indicative or a projection of the actual financial position of the Company and the Group immediately after completion of the Proposed Capital Reduction, and have been prepared based on the following key assumptions:

- (a) for the purposes of computing the Share capital, NTA per Share and gearing, assuming that the Proposed Capital Reduction had been completed on 31 December 2014, being the end of FY2014;
- (b) for the purposes of computing the EPS, assuming that the Proposed Capital Reduction had been completed on 1 January 2014, being the beginning of FY2014;
- (c) the computation takes into account completion of the share consolidation of every ten (10) ordinary shares into one (1) ordinary share in the capital of the Company (which had been approved by Shareholders at the annual general meeting held on 28 April 2015, and completed on 9 June 2015), and assumes that any fractional interests in the consolidated Shares arising from the share consolidation had been disregarded, such that the issued share capital of the Company of approximately S\$169,982,780 comprising 85,291,885 Shares (excluding treasury Shares) as at 31 December 2014;
- (d) the computation takes into account the gross proceeds received by the Company pursuant to completion of the Disposal, and assumes that all borrowings of the Group in the Japanese Yen have been fully repaid using such portion of the gross proceeds arising from the Disposal; and
- (e) the computation does not take into account any expenses that may be incurred in relation to the Proposed Capital Reduction.

(i) Share Capital

The Proposed Capital Reduction will not have any impact on the number of Shares held by the Shareholders. The financial effects of the Proposed Capital Reduction on the issued and paid-up share capital of the Company as at 31 December 2014 are as follows:-

	<b>Before the Proposed Capital Reduction</b>	<b>After the Proposed Capital Reduction</b>
Number of issued Shares	85,291,885	85,291,885
Amount of Share capital (S\$'000)	169,982	33,515

(ii) NTA per Share

The financial effects of the Proposed Capital Reduction on the NTA of the Group for FY2014 are as follows:-

	<b>Before the Proposed Capital Reduction</b>	<b>After the Proposed Capital Reduction</b>
NTA (S\$'000)	208,220	102,873
Number of issued Shares	85,291,885	85,291,885
NTA per Share (S\$)	2.44	1.21

(iii) EPS

The financial effects of the Proposed Capital Reduction on the EPS of the Group for FY2014 are as follows:-

	<b>Before the Proposed Capital Reduction</b>	<b>After the Proposed Capital Reduction</b>
Profits/ (Loss) attributable to Shareholders (S\$'000)	28,634	59,754
Weighted average number of Shares	85,291,885	85,291,885
Earnings/ (Loss) per Share (S\$)	0.34	0.70

(iv) Gearing

The financial effects of the Proposed Capital Reduction on the gearing of the Group for FY2014 are as follows:-

	<b>Before the Proposed Capital Reduction</b>	<b>After the Proposed Capital Reduction</b>
Total Borrowings (S\$'000)	103,427	14,381
Shareholders' Equity (S\$'000)	208,220	102,873
Gearing Ratio	0.5	0.14

### 3. EGM AND CIRCULAR TO SHAREHOLDERS

Subject to the receipt of approval from the SGX-ST, the Company will convene the EGM to seek the approval of Shareholders for, *inter alia*, the Proposed Capital Reduction, and the Circular containing details thereof and enclosing the notice of EGM, will be despatched to Shareholders in due course.

Meanwhile, Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Company's securities. Shareholders should consult their stockbrokers, solicitors or other professional advisers if they have any doubts about the actions they should take.

### 4. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or to the best of the Company's knowledge, the controlling shareholders of the Company, has any interest, direct or indirect, in the Proposed Capital Reduction, other than through their respective shareholdings in the Company.

By Order of the Board  
IPC Corporation Ltd

Ngiam Mia Hai Bernard  
Executive Director

17 December 2015