

IPCO INTERNATIONAL LIMITED

(Company Registration No. 199202747M)

Response to SGX Queries on 24 July 2017

We refer to the Full Year unaudited results for financial year ended 30 April 2017 published by the Company on 29 June 2017. SGX has the following queries for the Company.

Query One:

On page 12, the total revenue for the first half year was S\$23.86 million and profit after tax was S\$2.2 million. Please explain the reasons for the significant decline in profit after tax for the second half year to S\$94,000 even though the total revenue only declined by 5.5% to S\$22.55 million.

Response:

Operating Expenses in first half year were S\$22.34 million, compared to S\$24.57 million in second half year, representing an increase of S\$2.23 million or 9.95%.

The primary operating expense categories contributing to the decline in the profit after tax for the second half year are as follows:

- (i) An Increase of S\$0.4 million in depreciation of property, plant and equipment, mainly from the Group's China subsidiaries;
- (ii) S\$0.4 million in allowance for impairment loss of Available-For-Sale Financial Assets charged in second half year, compared with none in first half year; and
- (iii) An increase of S\$1.26 million in employee benefit expenses, mainly from ESA and the Group's China subsidiaries, which included staff performance bonuses in second half year.

Query Two:

On page 16, why is there no revenue under 'Sales to customers' from Property development, Infrastructure development and turnkey construction, and investment securities trading for FY2017.

Response:

There was no revenue from these business sectors due to the following reasons:

- (i) Property Development
There was no finalised sales agreement signed with home builders in either the current or the previous year.
- (ii) Infrastructure Development and Turnkey Construction
This sector has long been dormant, as the Company has been focusing on natural gas distribution, electronics, and real estate development.
- (iii) Investment Securities Trading
The sector has been dormant in both the current and previous year, as the Company has been concentrating on natural gas distribution, electronics, and real estate development.

By the Order of the Board

Carlson Clark Smith
Executive Director and Chief Financial Officer
24 July 2017