# IPCO INTERNATIONAL LIMITED

(Incorporated in Singapore)
(Company Registration Number: 199202747M)

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## (I) RESTRUCTURING OF NATURAL GAS DISTRIBUTION NETWORK BUSINESS IN THE PEOPLE'S REPUBLIC OF CHINA UNDER ONE SUBSIDIARY; AND

## (II) CHANGE OF NAME OF SUBSIDIARY

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### 1. INTRODUCTION

The Board of Directors (the "**Board**") of Ipco International Limited (the "**Company**") together with its subsidiaries (the "**Group**") wishes to announce: (i) the restructuring (the "**Restructuring Exercise**") of the Group's natural gas distribution business in Hubei province in the People's Republic of China (the "**PRC**"); and (ii) the proposed change of name (the "**Change of Name**") of the Company's wholly-owned subsidiary, Xiaogan Zhong Huan Gas Investment & Management Co., Ltd, to Hubei Zhong Lian Huan Energy Investment Management Limited ("**Hubei**"). The Change of Name is expected to become effective by the end of May 2015, subject to approval by the Industrial and Commercial Administration Bureau Hubei Province, PRC. For the avoidance of doubt, this entity shall be referred to as Hubei for the purpose of this announcement.

The Restructuring Exercise comprises two stages, summarised as follows:

(a) the "**Consolidation Stage**", pursuant to which, *inter alia*, 100% of each of the PRC Natural Gas Subsidiaries (as defined herein) were consolidated under Hubei. As at the date of this announcement, the Consolidation Stage has been completed; and

(b) the "**Disposal Stage**", pursuant to which China Environmental will dispose 6.25% and 10% equity interest in Hubei to Xiaogan He Shun Investment Management Centre LLP ("**Xiaogan LLP**") and Wilson On Wang Sang ("**Wilson On**") respectively.

### 2. THE RESTRUCTURING EXERCISE

#### 2.1. The Consolidation Stage

Prior to the Consolidation Stage of the Restructuring Exercise, China Environmental ("**China Environmental**"), an indirect wholly-owned subsidiary of the Company, held 90% equity interest in each of Anlu Jiaxu Gas Co. Ltd ("**Anlu**"), Dawu Natural Gas Co. Ltd ("**Dawu**"), Xiaochang Jiaxu Natural Gas Co. Ltd ("**Xiaochang**") and Guangshui Zhonghuan

Gas Development Co., Ltd ("**Guangshui**") (collectively, the "**PRC Natural Gas Subsidiaries**" and each, a "**PRC Subsidiary**"), which supply natural gas under 30-year exclusive contracts in cities of Anlu, Dawu, Xiaochang and Guangshui in Hubei province. The balance 10% equity interest in each of the PRC Natural Gas Subsidiaries was held by Guangzhou City Qiu Sheng Energy Investment Co., Ltd ("**Guangzhou**"). Please refer to Diagram I in the Appendix to this announcement for the shareholding structure of the PRC Natural Gas Subsidiaries prior to the Consolidation Stage.

Pursuant to the Consolidation Stage, the Group undertook an internal consolidation (via a share swap exercise) of the natural gas business under Hubei, a wholly-owned subsidiary of China Environmental. Hubei is a company registered in the PRC and is currently engaged in natural gas distribution network in Hubei Province. The total share capital of Hubei is RMB80 million as at the date of this announcement.

The Consolidation Stage comprised the following steps:

(a) each of Guangzhou and China Environmental transferred their respective shareholdings in each of the PRC Natural Gas Subsidiaries (comprising 10% held by Guangzhou and 90% held by China Environmental) to Hubei; and

(b) in return for Guangzhou transferring its 10% equity interest in each of the PRC Natural Gas Subsidiaries to Hubei, China Environmental transferred 5% equity interest in Hubei to Guangzhou.

As at the date of this announcement, the Consolidation Stage has been completed, and 100% of each of the PRC Natural Gas Subsidiaries has been consolidated under Hubei. Please refer to Diagram II in the Appendix to this announcement for the shareholding structure of the PRC Natural Gas Subsidiaries following the Consolidation Stage.

### 2.2. The Disposal Stage

The Disposal Stage will be undertaken pursuant to the equity transfer agreement dated 22 May 2015 entered into between China Environmental, Hubei, Xiaogan LLP and Wilson On (the "**Equity Transfer Agreement**").

Under the Disposal Stage, China Environmental will dispose 6.25% equity interest in Hubei to Xiaogan LLP (the "**Xiaogan LLP Disposal**") and another 10% equity interest in Hubei to Wilson On (the "**Wilson Disposal**").

The details of the Xiaogan LLP Disposal and the Wilson Disposal are set out as follows:

(a) Under the Xiaogan LLP Disposal, China Environmental will sell 6.25% equity interest in Hubei to Xiaogan LLP for a consideration of RMB9 million (the "**Xiaogan LLP Disposal Consideration**"). The 6.25% equity interest received by Xiaogan

LLP shall be distributed amongst the current senior management of Hubei and the PRC Natural Gas Subsidiaries who are the beneficiaries in Xiaogan LLP, as set out in paragraph 4 of this announcement (the "**Current Personnel**").

Xiaogan LLP will initially place a deposit (comprising 5% of the Xiaogan LLP Disposal Consideration) with China Environmental, such deposit to be payable within 30 days from 22 May 2015, being the date of approval of the Equity Transfer Agreement by the shareholder of Hubei (the "**Approval Date**"). The balance 95% of the Xiaogan LLP Disposal Consideration will be settled within three years from the Approval Date.

(b) Under the Wilson Disposal, China Environmental will sell 10% equity interest in Hubei to Wilson On for a consideration of RMB14.4 million (the "**Wilson Disposal Consideration**").

The consideration for each of the Xiaogan LLP Disposal and the Wilson Disposal is based on a consideration of RMB1.80 per share, being equivalent to the net asset value ("**NAV**") per share of Hubei.

Upon completion of the Disposal Stage, the shareholders of Hubei shall comprise (i) China Environmental (holding 78.75% equity interest), (ii) Guangzhou (holding 5% equity interest), (iii) Xiaogan LLP (holding 6.25% equity interest) and Wilson On (holding 10% equity interest). Please refer to Diagram III in the Appendix to this announcement for the shareholding structure of the PRC Natural Gas Subsidiaries following the Disposal Stage.

2.3. Going forward, it is also envisaged that China Environmental shall set aside an additional 13.75% equity interest in Hubei for sale to Xiaogan LLP for a consideration of RMB19.8 million. It is envisaged that this 13.75% equity interest will be sold to new senior management or newly promoted staff of Hubei and/or the PRC Natural Gas Subsidiaries (the "**New Personnel**") and/or Current Personnel who meet certain key performance indicators ("**KPIs**"), such KPIs to be determined at the sole discretion of the Company. As at the date of this announcement, the relevant KPIs have not been determined.

## 3. INFORMATION ON GUANGZHOU

Guangzhou was incorporated in the PRC on 27 October 2004, with its registered office at Unit 1209A, No.116, Yue Hua Road, Yue Xiu district in Guangzhou Province and a registered capital of RMB15 million.

The principal activities of Guangzhou include investment holding and investment consulting service, real estate consulting and marketing service, import and export trading and retail business.

The shareholders of Guangzhou are Huang Ying Jian, holding 75% equity interest and An Yu Feng, holding 25% equity interest.

## 4. INFORMATION ON XIAOGAN LLP

Xiaogan LLP is a cooperative formed by the Current Personnel (which consists of the senior management from Hubei and the PRC Natural Gas Subsidiaries). The Current Personnel who are the beneficiaries comprising the cooperative as at the date of this announcement are as follows:

| Name of Individual | Position | Entity Employed With | Beneficial interest in Xiaogan LLP (%) |
|---|---|---|---|
| Chen Xiu | Deputy General Manager and Financial Controller | Hubei | 15.04 |
| Guo Chenfeng | Project director | Hubei | 12.78 |
| Chen Zhihui | Assistant General Manager, in charge of safety production, human resources and performance evaluation | Hubei | 12.78 |
| Zhang Zili | Assistant General Manager and General Manager on Guangshui Project | Guangshui | 12.78 |
| Wu Jingdong | Assistant General Manager, in charge of new project development and Shandong Project | Hubei | 12.78 |
| Zhang Wenbing | General Manager on Anlu Project | Xiaochang | 11.28 |
| Shen Xianglin | General Manager on Xiang Chang Project | Hubei | 11.28 |
| Chen Yong | General Manager on Dawu Project | Dawu | 11.28 |

## 5. INFORMATION ON WILSON ON WANG SANG

Wilson On is the General Manager of Hubei. He is a master degree holder in Statistics and employed by China Environmental and is a Director and General Manager in Hubei Zhong Lian Huan since 2003 managing all gas projects and business expansion in Mainland China.

Mr Wilson On started his career as a Lecturer in Sun Yat-Sen University in 1980 and worked for Bank of China, Guangdong Province branch from 1986 to 1988 and was subsequently seconded to its Hong Kong office as a manager till 1998. Mr Wilson On has vast experience in Mainland China and Hong Kong in management roles.

## 6. DISPOSAL OF INTEREST IN SUBSIDIARY PURSUANT TO THE DISPOSAL STAGE AND REQUIREMENTS UNDER CHAPTER 10 OF THE LISTING MANUAL (THE "LISTING MANUAL") OF THE SINGAPORE EXCHANGE SECURITIES TRADING LIMITED (THE "SGX-ST")

The Disposal Stage shall result in the Group disposing 16.25% equity interest in Hubei pursuant to the Xiaogan LLP Disposal and the Wilson Disposal (the "**Disposal Stage Interest**"). The relative figures in respect of the Disposal Stage, calculated in accordance with the bases set out in Rule 1006(a) to (d) of the Listing Manual are as follows:-

| Relative Bases under Rule 1006 | | **Relative Figures for Disposal (%)** |
|---|---|---|
| (a) | The net asset value of the assets to be disposed of, compared with the Group's net asset value (1) | 5.66 |
| (b) | The net profits/(losses) attributable to the assets acquired or disposed of, compared with the Group's net profits/(losses) (2) | (1.80) |
| (c) | The aggregate value of the consideration given or received (3), compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares (4) | 16.26 |
| (d) | The number of equity securities issued by the Company as consideration for the acquisition, compared with the number of equity securities previously in issue | Not applicable |
| (e) | The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets. | Not applicable |

**Notes:**

(1) The unaudited consolidated net asset value of the Group as derived from the Group's financial statements for the nine months ended 31 January 2015 is S$88,166,000. As at 31 January 2015, the net asset value attributable to the Disposal Stage Interest is S$4,987,410 (approximately RMB23,450,191).

(2) The unaudited consolidated net profit before tax of the Group for the nine months ended 31 January 2015 is S$2,594,000. The unaudited net loss before tax for the nine months ended 31 January 2015 attributable to the Disposal Stage Interest is S$46,770 (approximately RMB227,395).

(3) The value of the consideration received for the Disposal Stage Interest, comprising the Xiaogan LLP Disposal Consideration and the Wilson Disposal Consideration, is S$4,976,735 (approximately RMB23,400,000).

(4) Based on the Company's market capitalization of S$30,604,800 as calculated in accordance with Rule 1002(5). The Company's market capitalization was calculated based on the Company's existing issued ordinary share capital of 5,100,799,986 Shares and the volume weighted average price (VWAP) of S$0.006 for trades done on the Company's shares on the SGX-ST for the full market day on 21 May 2015 (being the full market day preceding the date of the Equity Transfer Agreement).

As the relative figures under Rules 1006 (a) to (d) of the Listing Manual of the SGX-ST is more than 5% but less than 20%, the Disposal Stage constitutes a "discloseable transaction" under Rule 1010 of the Listing Manual of the SGX.

## 7. RATIONALE FOR THE RESTRUCTURING EXERCISE

The rationale for the Restructuring Exercise is, *inter alia*, as follows:

(a) The Restructuring Exercise will streamline the operations of Hubei and the PRC Natural Gas Subsidiaries, increase productivity, improve efficiency and management control and allow the PRC Natural Gas Subsidiaries to enjoy the benefits of economies of scale. It will also provide funds for working capital requirements and future business expansion of the Group.

(b) To attract potential employees with competence and technical knowledge to contribute to Hubei's business expansion.

(c) To instill loyalty and strong identification of the Current Personnel with the Group's natural gas business segment, by consolidating the operations of the PRC Natural Gas Companies under a single holding company, Hubei.

(d) To motivate the Current Personnel and New Personnel, who are envisaged to receive distributions of shares in Hubei pursuant to the Disposal Stage, to optimise their performance and efficiency and sustain a high level of contribution to Hubei and the PRC Natural Gas Subsidiaries by aligning their interests with those of the Company.

(e) To give recognition to the contributions made by the Current Personnel to the success of Hubei and the PRC Natural Gas Subsidiaries (whose collective operations grew from one natural gas company, Anlu, supplying natural gas under a single 30-year exclusive contract, to four exclusive contracts under the other PRC Natural Gas Subsidiaries).

(f) To retain key employees of Hubei and the PRC Natural Gas Subsidiaries whose contributions are essential to the long-term prosperity of the Group.

## 8. INTENDED USE OF PROCEEDS FROM THE DISPOSAL STAGE

The cash proceeds from the Disposal Stage will be used for working capital requirements and for future business development and expansion of the Group.

## 9. FINANCIAL EFFECTS

For illustration purposes only, the table below sets out the *pro forma* financial effects of the Disposal Stage on the Group's audited consolidated financial statements for the financial year ended 30 April 2014 on the following bases and assumptions:-

(a) the financial impact on the Group's consolidated net tangible assets ("**NTA**") per Share is computed based on the assumption that the Disposal Stage was completed on 30 April 2014; and

(b) the financial impact on the Group's consolidated earnings per Share ("**EPS**") is computed based on the assumption that the Disposal Stage was completed on 1 May 2013.

| | Before the Disposal | After the Disposal |
|---|---|---|
| **Share Capital** | | |
| - Issued and paid up share capital (S$'000) | 263,687 | 263,687 |
| - Number of Shares | 5,100,799,986 | 5,100,799,986 |
| **Net Tangible Assets** | | |
| - NTA (S$'000) | 43,869 | 44,313 |
| - Number of Shares | 5,100,799,986 | 5,100,799,986 |
| - NTA per Share (Singapore cents) | 0.86 | 0.87 |
| **Earnings Per Share** | | |
| - Loss after tax attributable to owners of the Company (S$'000) | (149,969) | (156,219) |
| - Number of Shares | 5,100,799,986 | 5,100,799,986 |
| - EPS (S$) | (2.94) | (3.06) |

The above *pro forma* financial effects of the Disposal Stage on the Group are for illustrative purposes only and are, therefore, not indicative of the actual financial performance or position of the Group after the completion of the Disposal Stage.

## 10. OTHER FINANCIAL INFORMATION

Based on the latest announced unaudited financial statements of the Group for the nine months ended 31 January 2015, the net loss after tax and net tangible asset value of Hubei Is S$633,276 and S$30,691,755 respectively.

Based solely on the foregoing, the net loss after tax and net tangible asset value attributable to the Disposal Stage Interest is S$102,907 and S$4,987,410 respectively.

Taking into account cost of investment of S$4,261,023 in Hubei, the estimated expenses on disposal of approximately S$200,000 and estimated provision of tax S$71,571, the net gain on disposal of the Disposal Stage Interest is S$444,141.

The Company has not commissioned any valuation of Hubei.

## 11. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial Shareholders of the Company (other than in their capacity as Directors or Shareholders of the Company) has any interest, direct or indirect, in the Restructuring Exercise.

No person is proposed to be appointed as a Director in connection with the Restructuring Exercise. Accordingly, no service contract is proposed to be entered into between the Company and any such person.

## 12. DOCUMENTS FOR INSPECTION

Copies of the Agreement are available for inspection during normal business hours at the Company's registered office at 24 Pandan Road, Singapore 609275, for three (3) months from the date of this announcement.

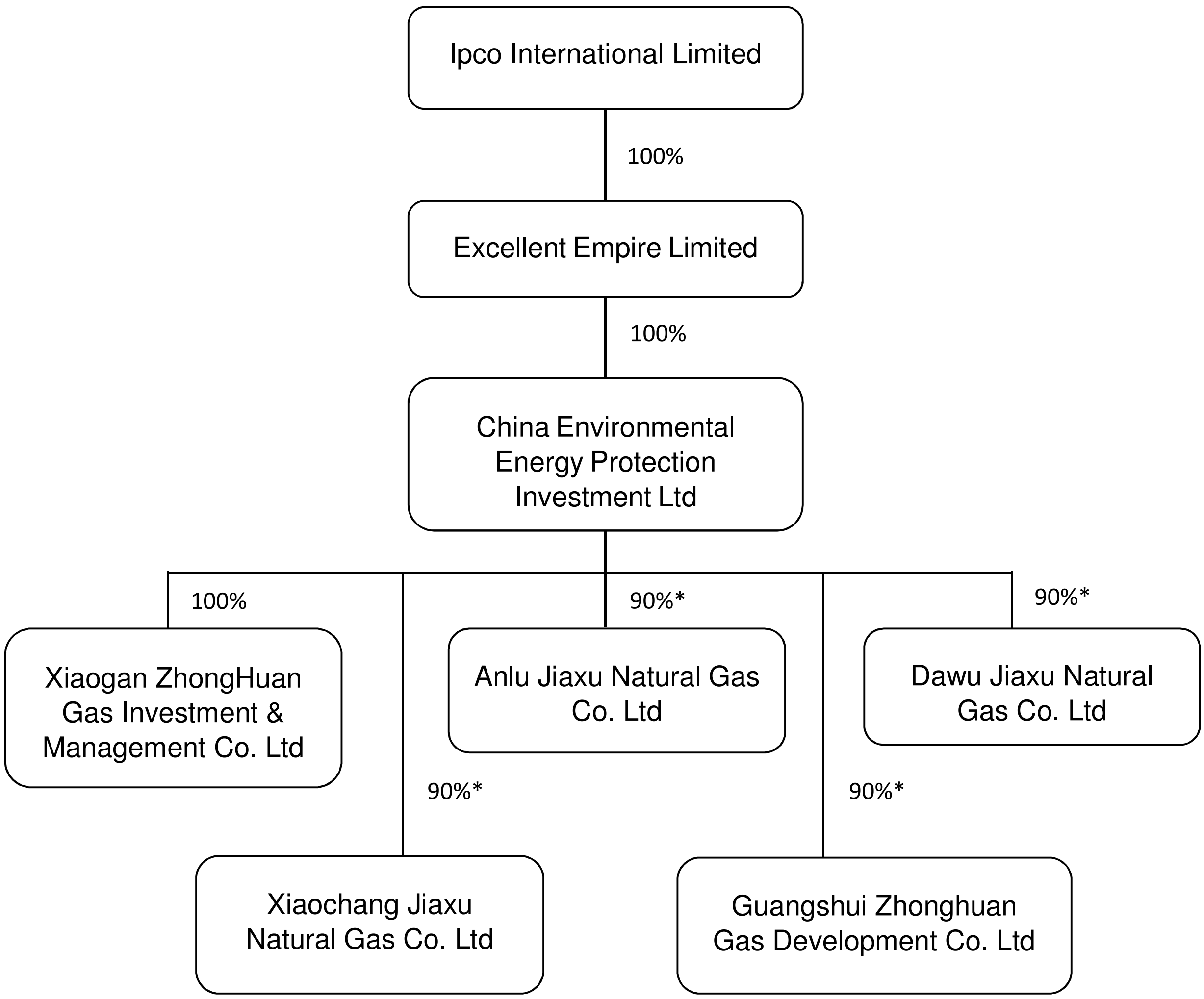
Further announcements on the abovementioned matters will be made in due course to provide shareholders with an update as and when appropriate.

**BY ORDER OF THE BOARD**
Carlson Clark Smith
Executive Director and Chief Financial Officer
22 May 2015

## APPENDIX

**DIAGRAM I**

Shareholding Structure of the PRC Natural Gas Subsidiaries prior to the Consolidation Stage




* The remaining 10% equity interest is held by Guangzhou City Qiu Sheng Energy Investment Co., Ltd.

**DIAGRAM II**

Shareholding Structure of the PRC Natural Gas Subsidiaries following the Consolidation Stage

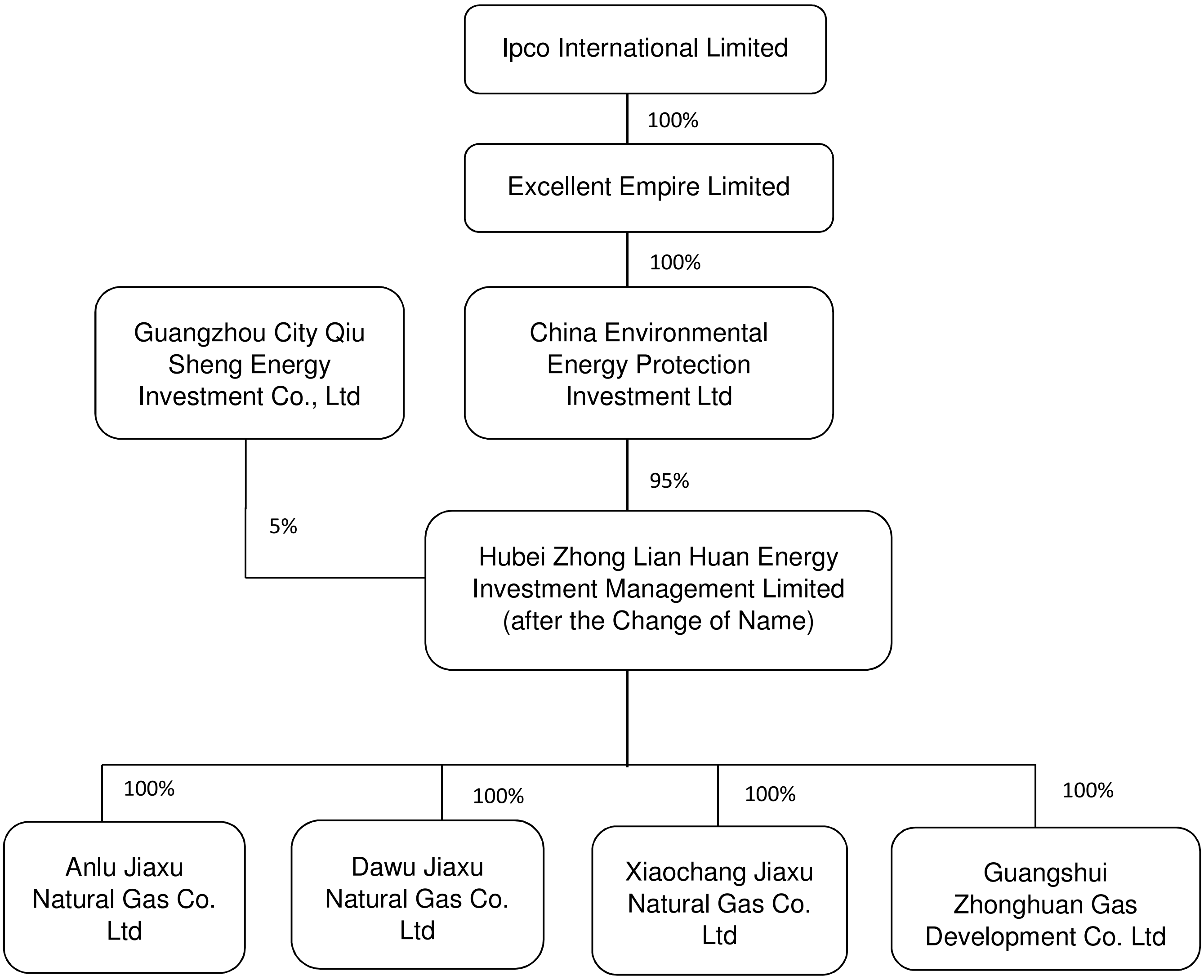


**DIAGRAM III**

Shareholding Structure of the PRC Natural Gas Subsidiaries following the Disposal Stage