

IPCO INTERNATIONAL LIMITED

(Company Registration No. 199202747M)

REPLY TO SGX'S QUERIES ON THE COMPANY'S CHINA SUBSIDIARY HUBEI ZHONG LIAN HUAN ENERGY INVESTMENT MANAGEMENT LIMITED'S INVESTMENT IN HAI YANG ZHONG HUAN NATURAL GAS CO., LTD

The Board of Directors ("The Board") of Ipco International Limited (the "Company") refers to its announcements dated 22 and 26 October 2015 concerning the investment in Hai Yang Zhong Huan Natural Gas Co., Ltd. ("**Hai Yang Zhong Huan**") and provides the following clarifications in response to queries that were posed by the Singapore Exchange Limited (SGX-ST) on 27 October 2015.

SGX Query 1:

How did China Environmental Energy Protection Investment Limited's ("China Environmental") right to invest in Hai Yang Zhong Huan Natural Gas Co., Ltd ("Hai Yang Zhong Huan") arise?

Due to China Environmental's initial role in the active promotion of the Hubei Zhong Lian Huan gas distribution network project in Hai Yang City with its local partner and the local owner of Hai Yang Zhong Huan, it was granted a verbal 'right to invest' or right to make further investments in Hai Yang Zhong Huan subject to mutually agreeable terms and conditions. No written agreements were entered as parties at that juncture, as the 'right to invest' was granted based on the good commercial relationship established between China Environmental and its local partner.

SGX Query 2:

We note that Hubei Zhong Lian Huan Energy Investment Management Limited ("Hubei Zhong Lian Huan") agreed to pay a Transfer Fee of Rmb1 million to China Environmental. How was the Rmb1 million amount derived?

The Transfer Fee was agreed between the parties and is based on the estimated time, collective efforts and man hours that were committed by the directors and staff of China Environmental in the negotiation for gas distribution projects on behalf of Hubei Zhong Lian Huan. The Transfer Fee would be paid by Hubei Zhong Lian Huan to China Environmental upon securing external funds for working capital purposes.

SGX Query 3:

We note that "there is no cost incurred by the Company for this Transfer". Please clarify if there is any cost incurred by the Group.

The costs incurred by the Group are the direct and imputed expenses described in reply to Query 2.

SGX Query 4:

Please disclose the relative figure computation under Rule 1006 of the Listing Manual if Hubei Zhong Lian Huan has the obligation to make the investment in Hai Yang Zhong Huan upon successfully securing a build and operate management project for a 52.8km natural gas pipeline and receiving stations in Shandong.

The Company would like to state that Hubei Zhong Lian Huan has yet to subscribe for 90% (or Rmb 27 million) in the authorised capital of Hai Yang Zhong Huan. The commitment to make the subscription and/or invest will depend on factors such as, *inter alia*, Hai Yang Zhong Huan successfully securing a natural gas project and/or the Group's ability to raise the required funding.

Assuming that project to build and operate the natural gas project in Shandong is secured and that the subscription in Hai Yang Zhong Huan is completed, the relative figures computed on the bases pursuant to Rule 1006(a) to (d) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), in relation to the Disposal based on the latest announced financial results of the Company for its financial period ended 31 July 2015 are as follows:-

	Relative Figures for Disposal (%)
Rule 1006(a) – The net asset value of the assets to be disposed of, compared with the Group's net asset value	0.15 ⁽¹⁾
Rule 1006(b) – The net profits attributable to the assets acquired or disposed of, compared with the Group's net profits	0.00 ⁽²⁾
Rule 1006(c) – The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	19.29 ⁽³⁾
Rule 1006(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

Notes:

- (1) The unaudited consolidated net asset value of the Group for the financial period ended 31 July 2015 is S\$87,514,000. As at 31 July 2015, the net asset value attributable to the 90% of Hai Yang Zhong Huan is S\$129,927.
- (2) The unaudited consolidated net profit before tax of the Group for the financial period ended 31 July 2015 is S\$2,319,000. The unaudited net profit before tax for the financial period ended 31 July 2015 attributable to the 90% of Hai Yang Zhong Huan is S\$0.00, as there is no operation as at 31 July 2015.
- (3) 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 26 October 2015 (being the full market day prior to the date of this announcement), the Company's market capitalization on 26 October 2015 was S\$30,604,800. Assuming that Hai Yang Zhong Huan has successfully secured the natural gas project and that the investment in Hai Yang Zhong Huan is completed by the China subsidiary company, Hubei Zhong Lian Huan, the value of the investment is S\$5,904,927 or equivalent to Rmb 27 million.

By the Order of the Board

Carlson Clark Smith
 Executive Director and Chief Financial Officer
 27 October 2015