

Issuer: Ipco International Limited

Security: Ipco International Limited

Meeting details:

Date: 31 August 2017

Time: 10.00 a.m.

Venue: Possibility Room Level 5 National Library Building, 100 Victoria Street, Singapore 188064

Company Description

Ipco International Limited, an investment holding company, operates as a developer, turnkey contractor, and investor in oil and gas, power, transportation, water and environment, and industrial infrastructure projects worldwide. The company operates through five segments: Infrastructure Development and Turnkey Construction; Development of Residential Real Estate for Sale; Supplying Gas to Households, Commercial, and Industrial Users; Manufacture and Sale of Electronic Components; and Investment Securities Trading. It is involved in the engineering, construction, and warehousing services; and trading and provision of consultancy services in semi-conductor industry. The company also manufactures, assembles, installs, maintains, repairs, and deals in electronic components. In addition, it engages in the turnkey construction of onshore and offshore oil and gas facilities; and development of power plants, transmission systems, and water supply systems; and building of piers, jetties, and terminals, as well as land transport projects, including toll roads and bridges. Further, the company constructs pulp and paper mills, as well as light and heavy manufacturing facilities; and develops and owns industrial estates. Additionally, it offers project finance; revolving credit facilities; export credits; and build, own, operate, and transfer structures. Ipco International Limited was founded in 1975 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=I11)

Q1. The Independent Auditors of the company have issued a Disclaimer of Opinion in their Independent Auditors' Report on the financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 30 April 2017.

Going Concern: The Independent Auditors have not been provided with sufficient appropriate evidence to supporting the key assumptions used in the projected cash flows and are "unable to assess if the use of going concern basis in the preparation of these financial statements is appropriate" (page 11). Following a query raised by the Singapore Exchange Securities Trading Limited ("SGX-ST") on 18 August 2017, the directors of the company have provided a response that disclosed the reasons for the directors' view that the use of going concern basis to prepare the financial statements is appropriate.

- a) **Can the directors explain their roles and involvement in the audit of the financial statements?**
- b) **What other appropriate evidence is being sought by the Independent Auditors? Can the directors help shareholders understand why the company is unable to provide the Independent Auditors with the appropriate audit evidence? To what extent have the directors facilitated the audit by the Independent Auditors?**

Transaction relating to Employee Share Scheme: Two additional partners were added to Xiaogan He Shun Investment Management Centre LLP ("He Shun") which is the vehicle used for the implementation of the Employee Share Scheme of Hubei Zonglianhuan Energy Investment Management Inc. ("HZLH").

HZLH is one of the group's cash generating units and holds 100% equity interest in four subsidiaries supplying natural gas under 30 year exclusive contracts in the cities of Anlu, Dawu, Xiaochang, and Guangshui in Hubei Province, PRC.

- c) **What is the level of the company's oversight and control of the operating subsidiaries in the PRC, especially of HZLH?**

The Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls addressing financial, operational and compliance risks were adequate as at 30 April 2017 (page 9 – Directors' Statement).

- d) **How did the board (and the Audit Committee) arrive at its opinion that the group's internal controls are adequate?**
- e) **What are the improvements to the internal controls following the discovery of the transaction at He Shun?**

Q2. In the Directors' Statement (page 7 to 9) dated 7 August 2017, it was shown that the audit committee comprised Chwee Han Sin (as chairman), Chai Siew Hoon and Ross Yu Limjoco (as reproduced below).

6. AUDIT COMMITTEE

The Audit Committee comprises three members, all of whom are independent directors. The members of the Audit Committee at the date of this report are:

Chwee Han Sin	(Chairman)
Chai Siew Hoon	
Ross Yu Limjoco	(Resigned on 2 August 2017)

(Source: Company annual report)

In the company's announcement dated 2 August 2017 titled "Resignation of Independent Director – Mr Ross Yu Limjoco", the company made the following declaration:

Change - Announcement of Cessation::Resignation of Independent Director - Mr Ross Yu Limjoco	
Issuer & Securities	
Issuer/ Manager	IPCO INTERNATIONAL LIMITED
Securities	IPCO INTL LIMITED - SG1C67001091 - I11
Stapled Security	No
Announcement Details	
Announcement Title	Change - Announcement of Cessation
Date & Time of Broadcast	02-Aug-2017 19:39:07
Status	New
Announcement Sub Title	Resignation of Independent Director - Mr Ross Yu Limjoco
Announcement Reference	SG170802OTHR11S6
Submitted By (Co./ Ind. Name)	Carlson Clark Smith
Designation	Executive Director and Chief Financial Officer
Effective Date and Time of the event	02/08/2017 17:00:00
Description (Please provide a detailed description of the event in the box below)	Resignation of Independent Director - Mr Ross Yu Limjoco
Additional Details	
Name Of Person	Ross Yu Limjoco
Age	47
Is effective date of cessation known?	Yes
If yes, please provide the date	02/08/2017
Detailed Reason (s) for cessation	Mr Ross Yu Limjoco has resigned as the Independent Director of the Company to pursue his personal interests.
Are there any unresolved differences in opinion on material matters between the person and the board of directors, including matters which would have a material impact on the group or its financial reporting?	No
Is there any matter in relation to the cessation that needs to be brought to the attention of the shareholders of the listed issuer?	No
Any other relevant information to be provided to shareholders of the listed issuer?	No
Date of Appointment to current position	11/07/2014
Does the AC have a minimum of 3 members (taking into account this cessation)?	Yes

(Source: Company announcement dated 2 August 2017)

Following Mr Ross Yu Limjoco's resignation as independent director, the company has declared that the Audit Committee has a minimum of 3 members.

a) Can the board confirm the current members of the audit committee?

As disclosed in the annual report (page 108), BDO has indicated to the Audit Committee and the Board of its intention not to seek for reappointment as auditor of the Company at the forthcoming AGM.

b) Can the AC disclose the process for selecting the external auditor? What is the progress made in the appointment of the new independent external auditors?

Q3. On 2 June 2017, the company announced that it has been notified by the Singapore Exchange Securities Trading Limited (the "SGX-ST") that it will be placed on the watch-list with effect from 5 June 2017 due to the Minimum Trading Price ("MTP") Entry Criterion.

The company further disclosed the following:

The Company will have to meet the requirements of Rule 1314(2) of the Listing Manual within 36 months from 5 June 2017, failing which the SGX-ST may either remove the Company from the Official List or suspend trading in the Company's shares with a view to removing the Company from the Official List. In this regard, Listing Rule 1314(2) states that the Company will be assessed by the Exchange for removal from the watch-list if it has remained on the watch-list for at least 6 months (this will exclude the time spent on the Watch-list due to the Financial Entry Criteria) and records volume-weighted average price of at least S\$0.20 over the last 6 months prior to the date of the Exchange's review.

(Source: Company announcement dated 2 June 2017)

Listing Rule 1314(2) of the Listing Manual states that the Company will be assessed by the SGX-ST for removal from the Watch-list if it records volume-weighted average price of at least S\$0.20 and an average daily market capitalisation of S\$40 million or more over the last 6 months.

- a) **Can the company clarify if the minimum average daily market capitalisation of \$40 million applies to the company for its assessment to be removed from the watch-list?**
- b) **Has the board deliberated on the options available to the company to meet the requirements of Listing Rule 1314(2)? If so, can the company disclose its plans to exit the watch-list?**