

IPC CORPORATION LTD
(Company Registration No. 198501057M)
Half Year Financial Statement

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
 HALF-YEAR AND FULL YEAR RESULTS**

- 1(a) An income statement and statement of comprehensive income or a statement of comprehensive income (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

**UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
 FOR HALF YEAR ENDED 30 JUNE 2020**

	Group		Increase/ (decrease) %
	Half year ended 30 June		
	2020 S\$'000	2019 S\$'000	
Sales	509	1,542	(67.0)
Cost of sales	(1,181)	(1,580)	(25.3)
Gross profit/(loss)	(672)	(38)	NM
Other income	389	327	19.0
Other gains/(losses), net	(18,989)	(70)	NM
Expenses			
Distribution and marketing	(122)	(163)	(25.2)
Administrative	(2,213)	(2,263)	(2.2)
Finance	(289)	(269)	7.4
	(2,624)	(2,695)	(2.6)
Profit/(loss) before income tax	(21,896)	(2,476)	NM
Income tax credit/(expense)	-	-	-
Total profit/(loss)	(21,896)	(2,476)	NM
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss:			
Financial assets, at FVOCI – debt investments			
- Redemption	-	(8)	(100)
Currency translation gain/(loss) arising from consolidation	1,463	(601)	NM
Items that will not be reclassified subsequently to profit or loss:			
Financial assets, at FVOCI – equity investments			
- Fair value gain/(loss)	245	161	52.2
Other comprehensive income/(loss), net of tax	1,708	(448)	NM
Total comprehensive income/(loss)	(20,188)	(2,924)	NM

(i) Profit/(loss) is arrived at after charging/(crediting) the following:

	Group		
	Half year ended 30 June		
	2020	2019	Increase/ (decrease)
	S\$'000	S\$'000	%
Amortisation of prepaid leasehold properties	228	232	(1.7)
Depreciation	912	888	2.7
Foreign exchange losses/(gains), net (Note 6 & 7)	(149)	140	NM
Fair value loss/(gain) on financial assets, at FVPL (Note 3)	17,651	–	NA
Write-down on properties developed for sale (Note 3)	1,487	–	NA
Gain on redemption of financial assets, at FVOCI	–	(70)	(100)
Interest income (Note 5)	(24)	(86)	(72.1)
Interest expenses	289	269	7.4

Notes

1. Gross profit/(loss)
The increase in gross loss for the financial period under review was in tandem with decrease in sales revenue of Grand nest HOTEL zhuhai. The decrease in sales revenue had been negatively impacted by COVID-19 during the period under review.
2. Other income
The increase in other income was mainly due to Jobs Support Scheme grant received.
3. Other gains/(losses), net
The increase in other losses was mainly due to fair value loss of S\$17.651 million on financial assets, at FVPL which relates to the Group's preference shares investment in Nest Hotel Japan Corporation ("NHJC"), a company incorporated in Japan, and the write-down on the properties developed for sale in Zhuhai, China of S\$1.487 million. NHJC's business was negatively impacted by COVID-19, hence the fair value loss.
4. Distribution and marketing expense
The decrease was mainly due to lesser cost incurred in the operations of Zhuhai, China.
5. Interest income
The decrease in interest income was mainly due to the absence of bond interest income and lower fixed deposit interest income.
6. Foreign exchange losses/(gains), net
The foreign exchange gains in half year ended 30 June 2020 was mainly resulted from the strengthening of United States Dollar against Singapore Dollars whereas the foreign exchange gains in half year ended 30 June 2019 was mainly resulted from the weakening of United States Dollar against Singapore Dollars.
7. The other movement in the exchange rates of United States Dollar, Hong Kong Dollar and Renminbi against the Singapore Dollar was mainly unrealised, due to recorded monetary balances denominated in foreign currencies that were adjusted to reflect the Singapore Dollars equivalent at the end of the reporting period.

NM: Not meaningful (change more than 100%)
NA: Not applicable

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement at the end of the immediately preceding financial year.

STATEMENTS OF FINANCIAL POSITION

	<u>Group</u>		<u>Company</u>	
	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	S\$'000	Audited S\$'000	S\$'000	Audited S\$'000
ASSETS				
Current assets				
Cash and cash equivalents (i)	5,687	7,440	2,030	3,339
Trade and other receivables	614	643	157	155
Properties developed for sale	17,280	18,349	–	–
Properties held for sale	3,046	2,986	–	–
Other assets (ii)	43	39	–	–
	<u>26,670</u>	<u>29,457</u>	<u>2,187</u>	<u>3,494</u>
Non-current assets				
Financial assets, at FVPL (iii)	5,269	22,920	5,269	22,920
Financial assets, at FVOCI (iv)	708	463	–	–
Prepayment (v)	44	73	–	–
Investment in associated companies	–	–	–	–
Investment in subsidiaries	–	–	87,510	87,411
Prepaid leasehold properties	18,838	18,457	–	–
Property, plant and equipment	27,121	27,393	1,224	1,438
	<u>51,980</u>	<u>69,306</u>	<u>94,003</u>	<u>111,769</u>
Total assets	<u>78,650</u>	<u>98,763</u>	<u>96,190</u>	<u>115,263</u>
LIABILITIES				
Current liabilities				
Borrowings	828	774	–	–
Lease liabilities	287	277	287	277
Trade and other payables	2,227	2,153	363	200
Current income tax liabilities (vi)	–	11	–	–
	<u>3,342</u>	<u>3,215</u>	<u>650</u>	<u>477</u>
Non-current liabilities				
Borrowings	7,406	7,337	–	–
Lease liabilities (vii)	180	301	180	301
	<u>7,586</u>	<u>7,638</u>	<u>180</u>	<u>301</u>
Total liabilities	<u>10,928</u>	<u>10,853</u>	<u>830</u>	<u>778</u>
NET ASSETS	<u>67,722</u>	<u>87,910</u>	<u>95,360</u>	<u>114,485</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	33,190	33,190	33,190	33,190
Currency translation reserve	(4,145)	(5,608)	–	–
Fair value reserve	(2,112)	(2,357)	–	–
Retained earnings	40,789	62,685	62,170	81,295
Total equity	<u>67,722</u>	<u>87,910</u>	<u>95,360</u>	<u>114,485</u>

Notes

- (i) The decrease in cash and cash equivalents was mainly used in operating activities.
- (ii) The increase in other assets was mainly due to the increase in the inventories from the operations in Zhuhai, China.
- (iii) The decrease in the financial assets, at FVPL was due to the fair value loss on our preference shares investment in NHJC, Japan.
- (iv) The increase in financial assets, at FVOCI was due to the fair value gains.
- (v) The decrease in prepayment was mainly due to the utilisation of the prepayment from the operations in Zhuhai, China.
- (vi) The income tax liabilities was fully paid during the period.
- (vii) The decrease in lease liabilities was mainly due to repayment.

1 (b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

Group As at 30 June 2020		Group As at 31 December 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
828	Nil	774	Nil

Amount repayable after one year

Group As at 30 June 2020		Group As at 31 December 2019	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
7,406	Nil	7,337	Nil

Details of any collateral

The Group's borrowings were secured by pledge of certain prepaid leasehold properties and certain buildings in Zhuhai, China.

1(c) A statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED STATEMENT OF CASH FLOWS

	<u>Group</u>	
	Half year ended 30 June 2020	2019
	S\$'000	S\$'000
Cash flows from operating activities		
Total profit/(loss)	(21,896)	(2,476)
Adjustments for		
- Depreciation	912	888
- Amortisation of prepaid leasehold properties	228	232
- Unrealised translation losses/(gains)	(174)	86
- Gain on redemption of financial assets, at FVOCI	–	(70)
- Fair value loss/(gain) on financial assets, at FVPL	17,651	–
- Write-down on properties developed for sale	1,487	–
- Interest income	(24)	(86)
- Interest expenses	289	269
	<u>(1,527)</u>	<u>(1,157)</u>
Change in working capital		
- Other assets	(4)	(4)
- Trade and other receivables	58	(105)
- Trade and other payables	74	(905)
	<u>(1,399)</u>	<u>(2,171)</u>
Cash generated/(used in) from operations	(1,399)	(2,171)
Interest received	24	86
Income tax paid, net	(11)	–
Net cash provided by/(used in) operating activities (i)	<u>(1,386)</u>	<u>(2,085)</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(94)	(24)
Redemption of financial assets, at FVOCI	–	877
Net cash provided by/(used in) investing activities	<u>(94)</u>	<u>853</u>
Cash flows from financing activities		
Interest paid	(289)	(269)
Proceeds from borrowings	–	3,403
Repayment of borrowings	(40)	(400)
Principal payment of lease liabilities	(131)	(122)
Net cash provided by/(used in) financing activities	<u>(460)</u>	<u>2,612</u>
Net increase/(decrease) in cash and cash equivalents	(1,940)	1,380
Cash and cash equivalents at beginning of financial period	7,440	9,974
Effects of currency translation on cash and cash equivalents	187	(42)
Cash and cash equivalents at end of financial period	<u>5,687</u>	<u>11,312</u>

Notes:

- (i) The net cash used in operating activities was mainly related to the loss from operations.

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

STATEMENT OF CHANGES IN EQUITY – GROUP	Attributable to Equity Holders of the Company				
	Share capital S\$'000	Currency translation reserve S\$'000	Fair value reserve S\$'000	Retained earnings S\$'000	Total S\$'000
2020					
As at 1 January	33,190	(5,608)	(2,357)	62,685	87,910
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	–	–	–	(21,896)	(21,896)
Other comprehensive income/(loss) for the period	–	1,463	245	–	1,708
	–	1,463	245	(21,896)	(20,188)
As at 30 June	33,190	(4,145)	(2,112)	40,789	67,722

STATEMENT OF CHANGES IN EQUITY – GROUP	Attributable to Equity Holders of the Company				
	Share capital S\$'000	Currency translation reserve S\$'000	Fair value reserve S\$'000	Retained earnings S\$'000	Total S\$'000
2019					
As at 1 January	33,190	(3,671)	(2,388)	79,392	106,523
Total comprehensive income/(loss) for the period					
Profit/(loss) for the period	–	–	–	(2,476)	(2,476)
Other comprehensive income/(loss) for the period	–	(601)	153	–	(448)
	–	(601)	153	(2,476)	(2,924)
As at 30 June	33,190	(4,272)	(2,235)	76,916	103,599

STATEMENT OF CHANGES IN EQUITY – COMPANY	Share capital	Fair value reserve	Retained earnings	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
2020				
As at 1 January	33,190	–	81,295	114,485
Total comprehensive income/(loss) for the period				
Profit/(loss) for the period	–	–	(19,125)	(19,125)
	–	–	(19,125)	(19,125)
As at 30 June	33,190	–	62,170	95,360

STATEMENT OF CHANGES IN EQUITY – COMPANY	Share capital	Fair value reserve	Retained earnings	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000
2019				
As at 1 January	33,190	8	102,506	135,704
Total comprehensive income/(loss) for the period				
Profit/(loss) for the period	–	–	(2,090)	(2,090)
Other comprehensive income/(loss) for the period	–	(8)	–	(8)
	–	(8)	(2,090)	(2,098)
As at 30 June	33,190	–	100,416	133,606

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Not applicable.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

The total number of issued shares as at 30 June 2020 was 85,291,885 (31 December 2019: 85,291,885). There is no treasury share for both periods.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There is no treasury share as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There is no subsidiary holding as at the end of the current financial period reported on.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the Company's auditor.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The accounting policies and methods of computations applied by the Group are consistent with those used in its audited financial statements as at 31 December 2019, except for those as disclosed under item 5 below.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Amendments to SFRS(I) 3 *Business Combination* (effective for annual periods beginning on or after 1 January 2020)

The amendments provide new guidance on the assessment of whether an acquisition meets the definition of a business under SFRS(I) 3.

These amendments are applied to business combinations and asset acquisitions with acquisition date on or after 1 January 2020. Early application is permitted. The Group does not expect any significant impact arising from applying these amendments.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	<u>Group</u>	
	Half year ended 30 June 2020	2019
Earning/(loss) per ordinary share of the Group for the period/year, after deducting any provision for preference dividends:-		
(i) Based on the weighted average number of ordinary shares on issue (in cents)	(25.67)	(2.90)
(ii) On a fully diluted basis (in cents)	(25.67)	(2.90)

**7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-
(a) current financial period reported on; and
(b) immediately preceding financial year.**

	<u>Group</u>		<u>Company</u>	
	30 Jun 2020	31 Dec 2019 Audited	30 Jun 2020	31 Dec 2019 Audited
Net asset value per ordinary share based on the total number of issued shares excluding treasury shares at the end of the financial period/year:-	S\$0.79	S\$1.03	S\$1.12	S\$1.34
Number of existing issued shares excluding treasury shares at end of the financial period/year:	85,291,885	85,291,885	85,291,885	85,291,885

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The Group recorded sales of S\$0.509 million for the half year ended 30 June 2020 compared to S\$1.542 million for the previous corresponding financial period. The decrease was due to the outbreak of COVID-19, which has significantly affected the operations of Grand nest HOTEL zhuhai, China ("HOTEL").

In early February 2020, the Zhuhai's government issued directives prohibiting mass gathering and MICE activities. With the safety of the HOTEL's employees and their families in mind, the Group suspended the business operations of the HOTEL and its conference facilities from 7 February to 29 February 2020. Since the reopening of the HOTEL in March, the occupancy rate remains at very low levels and there is no reservation of its MICE facilities.

The Group recorded a gross loss of S\$0.672 million compared to S\$0.038 million of the previous corresponding financial period. The increase in gross loss for the financial period under review was in tandem with the decrease in sales revenue.

The other losses for the half year ended 30 June 2020 was mainly due to the fair value loss of S\$17.651 million on financial assets, at FVPL from the Group's preference shares investment in NHJC, Japan and the impairment of S\$1.487 million on the properties developed for sale in Zhuhai, China.

The COVID-19 outbreak has led to a significant decline of in-bound tourists and domestic travelers since late Jan 2020. Consequently, it has severely impacted the tourism and related hospitality business in Japan. NHJC's business was drastically impacted and turned into operating losses.

The valuation of NHJC for the half year ended 30 June 2020 was undertaken by the same independent international valuer from Japan who did the valuation for FY2019. The methodology and bases for the valuation were the same as those of the FY2019 valuation. Fair value measurement was derived using the Option Pricing Models to determine the valuation of the NHJC preference shares. Part of the preference shares valuation was the equity valuation which was determined based on the income approach for the half year ended 30 June 2020. Key assumptions included the projected revenue growth, discount rate, terminal growth rate, discount for lack of control and discount for lack of marketability.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:- (continued)

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

The material assumptions used in the computation of the valuation that varied between the valuation reports as at 30 June 2020 and 31 December 2019 are as follows:

	30 Jun 2020	31 Dec 2019
Discount rate	7.9%	7.4%
Terminal growth rate	0.8%	0.7%
Revenue growth rate	Not meaningful*	2.1% - 18.4%
Market multiple	Not applicable*	11.4x – 13.4x
Discount on lack of control and marketability	40%	40%

* The COVID-19 pandemic had an unprecedented impact on revenue which fell to extreme low levels, resulting in negative performances. The revenue growth rate projection, using this COVID-19 period as the base year, is Not Meaningful and the market multiples fell into negative range which makes it Not Applicable. Therefore, these would not be used for comparison purpose.

As a result, the Group recorded a total loss after tax of S\$21.896 million for the half year ended 30 June 2020.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The commentary under paragraph 10 of the Group's previous results announcement (Q4 FY2019) and the announcements dated on 7 February 2020, 18 February 2020 and 24 April 2020 are in line with the actual results.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

In June this year, a new hotel of 84 rooms in Hiroshima; Nest Hotel Hiroshima Station, was opened and managed by NHJC. With the new addition, the Group has 15 hotels in Japan under the management of NHJC. There is a current pipeline of 6 new hotels to be opened and managed by NHJC. However, the schedule of new hotels' openings has been disrupted and cannot be ascertained due to the ongoing COVID-19 pandemic.

Of the 2 Osaka hotels with their operation suspended, one has resumed operation on 26 June 2020. The remaining 14 hotels under NHJC's management are currently open for business.

The ongoing pandemic has resulted in widespread travel restrictions, an unprecedented collapse in global tourism and mass postponement or cancellations of events. The outlook remains highly challenging and uncertain for the hospitality industry. Hence the value of the Group's preferential shares investment in NHJC will continue to be significantly impacted going forward.

Grand nest HOTEL zhuhai business is still facing extreme challenges with historical low occupancy rates. There are still no reservations on its MICE facilities as most companies are conducting their meetings & conferences virtually. The significant decline in the Group's business in China will continue to have a negative impact on the Group's financials in the months ahead.

The rooms upgrading program of Grand nest HOTEL zhuhai, China has been completed in Q2 FY2020.

The Group will stay focus on mitigating the negative impact resulting from COVID-19 on its operations and business.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? No

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? No

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

12. If no dividend has been declared/recommendeded, a statement to that effect.

Not applicable.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Company does not have any general mandate from shareholders pursuant to Rule 920.

14. Confirmation Pursuant to Rule 720(1) of the Listing Manual.

IPC Corporation Ltd confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7.7.

15. Additional information required Pursuant to Rule 706A of the Listing Manual.

Not applicable.

CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5) OF THE LISTING MANUAL

On behalf of the Board of Directors of the Company, we hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial statements for the half year ended 30 June 2020 to be false or misleading in any material aspect.

On behalf of the Board of Directors

Ngiam Mia Je Patrick
Executive Chairman

Ngiam Mia Kiat Benjamin
Managing Director

3 August 2020

BY ORDER OF THE BOARD

Lauw Hui Kian
Director

3 August 2020