



**Securities Investors Association (Singapore)**

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**Issuer:** IEV Holdings Limited

**Security:** IEV Holdings Limited

**Meeting details:**

Date: 29 April 2019

Time: 10.30 a.m.

Venue: Oriole Room, Level 4, Grand Copthorne Waterfront Hotel, 392 Havelock Road, Singapore 169663

**Company Description**

IEV Holdings Limited (IEV) is a Singapore-based investment holding company. The Company operates through four segments: Offshore Engineering, Mobile Natural Gas, Exploration and Production, and Renewable Energy. IEV offers both specialized technologies and turnkey services to construct, repair, maintain, rejuvenate and remove offshore oil and gas production facilities in the Offshore Engineering segment. In the Exploration and Production segment, the Company is involved in the onshore exploration and production of hydrocarbons in Indonesia. In the Mobile Natural Gas segment, IEV develops and operates compressed natural gas supply chains to deliver natural gas to customers without gas pipeline access in Indonesia and Malaysia. It is engaged in the Renewable Energy sector through the manufacture of briquettes from rice husk in the Mekong Delta to provide a green fuel source to factories in Vietnam. Its biomass manufacturing plant includes MK-1 Biomass Plant (MK-1 Plant).

(Source: [http://www.sgx.com/wps/portal/sgxweb/home/company\\_disclosure/stockfacts?code=5TN](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=5TN))

1. For the financial year ended 31 December 2018, the group completed the divestment of its Exploration and Production Sector (EPS), the Mobile Natural Gas Sector (MNGS) and the rice-husk based Renewable Energy Sector (RES) businesses which were made unviable by the low oil price environment.

The group's sole remaining business is its Asset Integrity Management (AIM) segment which the group is currently trying to commercialise its suite of disruptive technologies in the areas of structural integrity, advanced inspection solutions for offshore risers, pipelines and storage tanks, and corrosion control of objects with complex geometries and plants under insulation.

**(i) Would management help shareholder understand the competitive advantage of the group in the "AIM" segment?**

**(ii) Who are the competitors and what is the group's market share?**

The group has also disclosed it had secured two long term contracts for anti-corrosion thermoplastic coatings with two major customers in Malaysia.

**(iii) Can management identify the customers and disclose the key terms of the contract, including commencement/completion date, scope of work and value of contract?**

**(iv) What are management's strategies to acquire new customers and to win new contracts?**

**(v) Given the group's financial position, how does the board/management ensure that the projects are cash-flow generative and deliver value for its shareholders?**

2. On 29 March 2019, the company's independent auditor has included a Material Uncertainty related to going concern section in their report on the audited financial statements of the group and company for the financial year ended 31 December 2018.

The group had cash and cash balance amounting to \$1.0 million, mainly due to a drawdown of bank overdraft of \$(2.97) million.

On 29 March 2019, the company announced that the independent auditor has included a Material Uncertainty Related to Going Concern section in their report on the audited financial statements of the Group and Company for the financial year ended 31 December 2018.

As at 31 December 2018, the group/company's financial position is as follows:

- Group's and company's current liabilities exceeded current assets by RM11.9 million and RM1.7 million respectively (31 December 2017: RM6.3 million and RM24.8 million respectively)

- Consolidated net loss of RM17.1 million for the year ended 31 December 2018 (2017: RM79.9 million).
- Consolidated net operating cash outflow of RM6.4 million for the financial year ended 31 December 2018 (2017: RM11.1 million).
- Net capital deficiency position of RM10.2 million (group) and RM1.7 million (company) respectively (2017: net equity of RM5.4 million and RM1.0 million respectively)

The directors have considered that group going concern and the financial statements are prepared on a going concern basis, due to the following:

- (a) Management has prepared a cash flow forecast and is of the view that the Group will have sufficient cash resources, including from estimated earnings for the financial year ending 31 December 2019, to satisfy its working capital requirements and to meet its obligations as and when they fall due;
- (b) The Group is actively exploring potential corporate fund-raising exercises which will be announced in due course when there are any significant developments;
- (c) The net current liabilities for the Group of RM11.9 million as at 31 December 2018 include a provision for termination liabilities of RM7.6 million arising from the termination of the Operations Cooperation Agreement with PT Pertamina EP, for which such termination liabilities may be determined through negotiated settlements involving possible deferred settlement payments; and
- (d) As at 31 December 2018, the Company's current liabilities include amounts owing to wholly-owned subsidiaries of RM0.9 million (2017: RM26.3 million). The Directors have the power and authority to manage the payment obligations to the said wholly-owned subsidiaries if ever the need arises.
- (e) The Group has a contract liability of RM2.7 million and contract cost of RM1.0 million as at 31 December 2018 related to an on-going AIMS Advanced Inspection Solutions project in which progress billings have been made. The respective revenue and cost of sales will be recognised when the project is completed within the financial year ending 31 December 2019.

- (i) What is the current staff strength and what is the current burn-rate for the group?**
- (ii) Does the group have sufficient working capital to support its business needs?**
- (iii) Can management share the cash flow forecast? What is the amount of debt headroom from its banking facilities available to the group?**
- (iv) What are the fund raising options being considered? Who is leading the fund raising efforts, including the identification of potential/strategic investors?**

3. On 1 April 2019, the company announced that there are material differences between the unaudited results (first announced by the company on 1 March 2019) and the audited financial statements for FY2018 after the finalisation of audit.

The changes resulted in the loss for the year from discontinued operations increasing by RM1.1 million to RM8.3 million.

The audit adjustments included:

- Reclassification of actuarial gain from defined benefit pension plan to other comprehensive income
- Reclassification of cumulative exchange differences from equity on loss of control of subsidiary to loss on disposal of subsidiary
- Outstanding proceeds from the disposal of finance lease assets were reclassified from investing activity to an operating activity

In fact, the company announced discrepancies between its audited and unaudited results for the financial year ended 31 December **2017** and 31 December **2014** as well.

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) (“SFRS(I)”) and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

- (i) How can shareholders get assurance from management that the financial statements are prepared in accordance with the Act and SFRS(I)?**
- (ii) Has the audit committee evaluated if the internal financial reporting/finance team is sufficiently resourced with experienced and qualified staff to ensure the integrity of the financial statements?**
- (iii) Would the members of the audit committee (AC) help shareholders understand their personal recent and relevant accounting or related financial management expertise or experience that would make them appropriately qualified to discharge their responsibilities?**
- (iv) Can the AC update shareholders on the improvement made/to be made to the group’s financial reporting systems and processes?**