



IEV HOLDINGS LIMITED
(Company Registration 201117734-D)

ANNOUNCEMENT
For Immediate Release

**UPDATE TO LEASE AGREEMENT IN RELATION TO THE MK-1 BIOMASS
PLANT
– TRANSFER OF PLANT & ASSETS**

*Unless otherwise defined, all capitalised terms used in this announcement shall have the same meaning ascribed to them in the announcements dated 6 March 2017, 12 May 2017, 7 November 2017 and 11 January 2018 (the “**Previous Announcements**”).*

1. Introduction

The board of directors (the “**Board**” or “**Directors**”) of IEV Holdings Limited (“**Company**”, and together with its subsidiaries, “**IEV**” or the “**Group**”) wishes to announce that, pursuant to the Lease Agreement with BSB Investment and Development Co. Ltd (“**BSB**”), its wholly-owned indirect subsidiary IEV Vietnam Limited Liability Company (“**IEV Vietnam**”), has entered into a Sales and Purchase Agreement (“**SPA**”) with BSB on 1 June 2018 to transfer all use rights and ownership (“**Transfer**”) of the MK-1 Biomass Plant and its related assets (“**MK-1 Plant**”). Both IEV and BSB have mutually agreed to effect the Transfer ahead of the originally agreed schedule of June 2019.

Details of the MK-1 Plant, including its usage and the rationale for the Transfer has been disclosed in the Previous Announcements.

2. Principal Terms of the SPA

The salient terms of the SPA are set out as below.

2.1 Transfer Price

1. A transfer price has been fixed at Vietnam Dong (“**VND**”) 31.229 billion (approximately RM 5.43 million) (the “**Transfer Price**”). The Transfer Price was arrived at based on arm's length negotiations and on a willing-buyer and willing-seller basis, after taking into consideration, *inter alia*, the following:

- Value of land use right;
- Value of assets affixed to land;
- Value of all other assets; and
- 10% Value Added Tax (“**VAT**”) equivalent to VND 2.839 billion (approximately RM 0.5 million) for the transferred land use right and assets.

2. Transfer Price is exclusive of:

- All other taxes relating to the Transfer;
- Extra land rental, if required by the state authorities;
- All official fees and charges relating to the Transfer including but not limited to:
 - Fees and charges for the adjustment of the Investment Registration Certificates making BSB the sole investor of the MK-1 Plant;
 - Fees and charges for changing the name in land rent contract, land use right certificate and ownership of houses and assets affixed to the land, from IEV Vietnam to BSB; and
 - Fees and charges for utilities use within the MK-1 Plant up to the completion date of handover.

The Transfer Price, excluding 10% VAT, amounts to VND 28.39 billion, instead of the initial agreed VND 28.00 billion, in consideration of the loss of remaining monthly lease payments that IEV Vietnam would have been expected to receive should the Transfer be effected immediately.

2.2 Payment Terms

The Transfer Price will be fully satisfied in cash and BSB shall pay IEV Vietnam in the following manner:

1. Deposit of VND1.4 billion paid on 12 January 2018 ("**Deposit**");
2. 1st instalment: 50% of Transfer Price within 5 working days from the date the SPA is signed and notarised by the relevant notarisational authority;
3. 2nd instalment: 30% of Transfer Price within 5 working days from the completion of relevant administrative procedures for which BSB is registered with the state licensing authority and is stated in the Land Use Right Certificate and ownership of assets affixed to the land; and
4. 3rd instalment: 20% of Transfer Price (less the Deposit and lease rentals paid from 1 June 2018) within 5 working days from the issuance date of the amended Investment Registration Certificate which recognises BSB as the investor of the MK-1 Plant and permits business activities relating to silica and brown rice milk production.

2.3 Conditions Precedent

The following documents are to be handed over to BSB by IEV Vietnam in order to complete the Transfer:

1. Original copy of resolution and meeting minutes of the competent approving body of IEV Vietnam to approve the Transfer of MK-1 Plant and delegation of powers to execute the SPA and other related documents;
2. Certified copy of IEV Vietnam's Enterprise Registration Certificate and Charter;
3. Certified copy of IEV Vietnam's Investment Registration Certificate;
4. Certified copy of the existing Land Use Right Certificate of MK-1 Plant; and
5. Written confirmation by IEV Vietnam that it has received in full the Deposit from BSB.

The following documents are to be handed over to IEV Vietnam by BSB in order to complete the Transfer:

1. Original copy of resolution and meeting minutes of the competent approving body of BSB to approve the Transfer of MK-1 Plant and delegation of powers to execute the SPA and other related documents;
2. Certified copy of BSB's Enterprise Registration Certificate and Charter; and
3. Written evidence that the Deposit has been remitted in full to IEV Vietnam.

2.4 Other Rights and Obligations

1. IEV Vietnam shall handover all documents related to the MK-1 Plant;
2. IEV Vietnam will provide BSB with original documents that are necessary for completing the transfer of MK-1 Plant, amending the Investment Registration Certificate and registration of land use rights to BSB;
3. BSB shall at its own cost carry out the necessary procedures required by the relevant state authorities to transfer the ownership of MK-1 Plant, all related assets and land use rights from IEV Vietnam; and
4. The Lease Agreement shall remain in full effect until 1 June 2018. Thereafter, BSB shall pay one and a half (1.5) months rental which shall be deducted from the 3rd instalment of the Transfer Price (as mentioned under paragraph 2.2 above).

2.5 Closing Date

The closing date of the Transfer is expected to take place on 30 July 2018, subject to all conditions precedent being fulfilled.

3. Relative Figures under Rule 1006 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") (the "Catalist Rules")

Based on the unaudited consolidated financial statements of the Group for the financial period ended 31 March 2018 ("1QFY2018"), the relative figures of the Transfer under Rule 1006 of the Catalist Rules are as follows:-

Rule 1006(a)	Relative Figures (%)
Net asset value of the assets to be disposed of, compared with the Group's net asset value	175.75% ⁽¹⁾
Rule 1006(b)	
Net profits attributable to the asset acquired compared to the Group's net profits	Not applicable ⁽²⁾
Rule 1006(c)	
Aggregate value of the Transfer Price, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares	29.11% ⁽³⁾⁽⁴⁾
Rule 1006(d)	
Number of equity securities issued by the Company as consideration for the transaction, compared with the number of equity securities previously in issue	Not applicable ⁽⁵⁾
Rule 1006(e)	
Aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves	Not applicable ⁽⁶⁾

Notes:

- (1) The net asset value of the MK-1 Plant and the Group as at 31 March 2018 was approximately RM 4.86 million and RM 2.77 million respectively. Due to the lease arrangement with BSB, the MK-1 Plant was classified under finance lease receivables.
- (2) No profits were generated by the MK-1 Plant for 1QFY2018. The revenue generated for Renewable Energy Sector in FY2017 was from the carried forward rice husk inventory from the previous financial year ended 31 December 2016.
- (3) The Company's market capitalisation of S\$5.71 million was computed based on the issued share capital of the Company ("Shares") of 285,512,632 Shares and the weighted average price of S\$0.020 per Share on 31 May 2018 (being the last day on which the Shares were traded on the SGX-ST prior to the date of the SPA).

- (4) The Transfer Price of VND28.39 billion (excluding 10% VAT) is approximately S\$1.66 million (based on an exchange rate of 1 VND to 0.00005866 SGD as at 31 May 2018).
- (5) No equity securities would be issued in respect of the Transfer.
- (6) The Transfer is not in relation to a mineral, oil and gas asset.

As the relative figure computed on the bases set out in Rule 1006(a) amounts to more than 50%, pursuant to Rule 1014 of the Catalist Rules, the Transfer thus constitutes a "Major Transaction". Accordingly, the Transfer shall be conditional upon, *inter alia*, the approval by the Company's shareholders at a general meeting.

4. Waiver Application

The Company had, on 13 April 2018, applied to the SGX-ST for a waiver in relation to Rule 1014(2) of the Catalist Rules, which requires that a major transaction be made conditional upon the approval by shareholders in general meeting and a circular containing the information in Rule 1010 of the Catalist Rules to be sent to all shareholders (the "**Waiver**").

4.1 Approval from the SGX-ST

The Company had, on 4 May 2018, received a letter from the SGX-ST stating that it has no objection to granting the Waiver, subject to:

- (i) The Company making an immediate announcement on the Waiver granted upon signing of the SPA, including reasons for seeking the Waiver and the conditions as required under Rule 106 of the Catalist Rules; and
- (ii) Submission of a written confirmation from the Company that the Waiver does not contravene any laws and regulations governing the Company and the Constitution of the Company.

4.2 Reasons for seeking the Waiver

(a) Background and exit from Renewable Energy Sector

The MK-1 Plant is the Group's first foray into the renewable energy business in Vietnam and was used to produce briquettes from rice husk as a cheaper and alternative energy source. The MK-1 Plant sits on a 30-year leasehold land with a land area of 13,355 square metres in the Tan Loc Ward, Thot Not District, Can Tho City, Vietnam.

Since its inauguration in March 2016, the MK-1 Plant has been operating at a loss due to an unexpected increase in rice husk prices arising from a lower supply of paddy to local rice mills and a drop in world energy prices making rice husk briquettes less competitive to alternative fuels such as coal.

In an attempt to venture into higher value-added business in Vietnam that could potentially use rice husks as a feedstock, the Group had, on 3 March 2017, entered into a heads of agreement and subsequently on 11 May 2017 entered into a Cooperation Contract with BSB to operate a pilot plant in the premises of the MK-1 Plant to produce rice husk silica ("**RHS**") and rice husk nano-silica ("**RHNS**") and to conduct a feasibility study on the commercialisation of RHS and RHNS in Vietnam. The feasibility study had subsequently shown to be not commercially viable.

In view that (i) IEV Vietnam was not able to operate the MK-1 Plant to produce and sell rice husk briquettes in a profitable manner; and (ii) that the RHS and RHNS feasibility study could not show it be a viable business, the Group decided to exit from the renewable energy business and sought ways to recover its investment in the MK-1 Plant by either leasing or selling the entire plant.

BSB had expressed a desire to lease and subsequently purchase the MK-1 Plant, in view of its strategic location in the Mekong delta, for its rice husk biomass business and the manufacturing of

brown rice milk. A heads of agreement was thus signed on 31 October 2017 between IEV Vietnam and BSB to commence the legal process to lease the MK-1 Plant for a 2-year period and to grant BSB an option to purchase the MK-1 Plant at the end of the lease period. Subsequently, the Lease Agreement was signed.

Subsequently, both parties have mutually agreed to immediately effect the transfer of the MK-1 Plant at an adjusted transfer price of VND28.39 billion (before 10% VAT). The slightly higher transfer price compared to the value indicated in the Lease Agreement is in recognition of the loss of remaining monthly lease payments that IEV Vietnam would have expected to receive.

(b) Renewable Energy is not a core business of the Group

Since MK-1 Plant's inauguration in March 2016, the Renewable Energy business segment has been operating at a loss. The gross loss from selling briquettes made it more financially prudent to not produce any rice husk briquettes for the duration of FY2017 and instead IEV Vietnam completely sold down its inventory of rice husk and briquettes throughout the said financial period. The MK-1 Plant thus has not been a significant contributor to the Group's financial results for the last two financial years that it been commercially operating.

MK-1 Plant contribution to Group's financial results:

Revenue	Renewable Energy	Group	% of Group
	RM'000	RM'000	
FY2017	399	39,097	1.0%
FY2016	1,358	370,254	0.4%

Gross (Loss)/Profit	Renewable Energy	Group	% of Group
	RM'000	RM'000	
FY2017	(98)	4,703	Not meaningful
FY2016	(119)	19,383	Not meaningful

Loss attributable to owners of the Company	Renewable Energy	Group	% of Group
	RM'000	RM'000	
FY2017	(1,701)	(79,859)	2.1%
FY2016	(1,172)	(33,565)	3.5%

The intended disposal of the non-core MK-1 Plant has been disclosed in the announcement on 7 November 2017 in which it was outlined that the Heads of Agreement with BSB included the lease and option to buy the MK-1 Plant was granted to BSB. The Company had also disclosed that this was part of the Group's move to refocus on its core engineering business and exit from the rice husk biomass business in Vietnam.

As the Renewable Energy business segment is not a core business of the Group and MK-1 Plant is neither a major revenue and profit generator nor is it a core asset of the Group, the sale of the MK-1 Plant will not change the risk profile of the Group.

(c) Proceeds from the Transfer for Working Capital

In its message to shareholders, as contained in the Company's Annual Report 2017, the Board of Directors has indicated that decisive steps are required to remove loss-making sectors and to strengthen cash flows. The proceeds from the disposal of MK-1 Plant will be used to strengthen the working capital position of the Group and aid in the launch of a suite of new products and technologies in its core engineering business, now renamed, Asset Integrity Management Sector.

5. Financial Effects of the Transfer

The proforma financial effects of the Transfer on the net tangible assets ("NTA") per Share and loss per Share ("LPS") of the Group as set out below are purely for illustrative purposes only and do not reflect the actual financial performance or position of the Group after the Transfer. The financial effects of the Transfer set out below have been prepared based on the Group's audited financial statements for FY2017.

LPS

The proforma financial effects of the Transfer on the LPS of the Group for FY2017, assuming that the Transfer had been effected at the beginning of FY2017, are summarized below:

LPS	Before the Transfer	After the Transfer
Loss attributable to owners of the Company (RM)	79,858,592	79,929,454 ⁽¹⁾
Weighted average number of Shares	284,312,652	284,312,652
Basic and diluted LPS (Malaysian sen)	(28.09)	(28.11)

Note 1. Loss from Transfer of MK-1 Plant of VND 396 million or RM 70,862

NTA per share

The proforma financial effects of the Transfer on the NTA per Share of the Group for FY2017, assuming that the Transfer had been effected on 31 December 2017, are summarized below:

NTA	Before the Transfer	After the Transfer
Consolidated NTA (RM)	5,596,556	5,525,694 ⁽²⁾
Number of issued shares (excluding treasury shares)	285,512,632	285,512,632
Consolidated NTA per Share (Malaysian sen)	1.96	1.94

Note 2. Loss from Transfer of MK-1 Plant of VND 396 million or RM 70,862

6. Other Financial Information and Use of Proceeds from the Transfer

Based on the latest announced audited financial statements for FY2017, the MK-1 Plant has been reclassified as a finance lease receivable amounting to VND 28.786 billion (approximately RM 5.15 million based on an exchange rate of VND 1.00 to MYR 0.000179) as at 31 December 2017. With a Transfer Price of VND 28.390 billion, the loss from the Transfer or the excess of the net proceeds over the book value of the MK-1 Plant as at 31 December 2017 would be approximately VND 396 million (equivalent to approximately RM 70,862).

The net proceeds from the Transfer of MK-1 Plant of approximately RM 4.94 million will be used to strengthen the working capital position of the Group and aid in the launch of a suite of new products and technologies in its core engineering business.

7. Interest of Directors and Controlling Shareholders

None of the Directors or controlling shareholders of the Company, or their respective associates, has any interest, direct or indirect, in the Transfer other than their respective shareholdings in the Company (if any).

8. Details of any service contract

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

9. Document for inspection

A copy of the SPA is available for inspection during normal business hours at the Company's registered office, 80 Robinson Road, #02-00 Singapore 0688898, for a period of three (3) months from the date of this announcement.

By order of the Board
Christopher Do
President & CEO
4 June 2018

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*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this announcement.*

This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

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