MAGNUS ENERGY GROUP LTD.

ANNUAL REPORT 2018

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The contact person for the Sponsor is Mr Bernard Lui whose details are set out below:
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CORPORATE PROFILE

Magnus and its subsidiaries ("**Magnus**") seek to achieve a diversified portfolio to broaden its earning base and re-engineer itself to explore new acquisitions and investments globally. Established in 1983, Magnus has been listed on the Catalist Board since 4 August 1999.

In the midst of the challenging conditions of the construction industry, Magnus, then a mechanical and electrical contractor, made a decisive shift of its business focus into the provision of equipment and spares supplies to oil and gas industry with the acquisition of Mid-Continent Equipment Group Pte Ltd. in 2004.

From its first foray into the energy industry and market, Magnus has now set its sights on the sustainable energy market and has made investments in microalgae oil production in Selangor, Malaysia.

To enable each country to be self-reliant on the production of energy and power to meet the ever increasing demand of its population, Magnus envisions to be the enabler of the production of sustainable energy and the leading producer of crude microalgae oil to meet the global demands of sustainable energy.

CHAIRMAN'S STATEMENT

Kushairi Bin Zaidel
Chairman and Independent Director

DEAR SHAREHOLDERS,

On behalf of our Board of Directors, I present to you the Annual Report for Magnus Energy Group Ltd. (the "**Company**") together with its subsidiaries, (the "**Group**") for our financial year ended 30 June 2018 ("**FY2018**").

In 2014, the worldwide oil and gas industry bore the brunt of a worsening decline that impacted all companies related. Fast forward to 2017-2018, it remains a volatile period for oil markets, with prices finally appearing on track to a sustainable recovery after several false starts. Though nowhere near soaring prices exceeding more than US$100 a barrel before the steep drop of oil and gas prices in 2014, oil prices have risen recently to almost US$70 a barrel for West Texas Intermediate (WTI) crude oil in May 2018 – the first time it has reached such levels since 2014.

The current oil market recovery, while bringing slight relief, remains susceptible to a host of uncertainties including the state of the global economy, continual supply-demand rebalancing, the on-going trade wars between China and the United States and geopolitical tensions among others. Competition escalated as the bigger players vied for fewer and smaller orders with small companies like our main operating subsidiaries.

In 2018, the Group has focused its efforts to improve the operations and business efficiencies in our microalgae oil business. With the global increasing awareness of climate issues and increasing demands for biofuels, green energy industry shows a very promising future and we aim to be a producer of quality biofuels that can have a positive impact on the environment.

To navigate the challenging and volatile conditions, prudent and proactive decision-making is crucial in maintaining a fine balance in managing our working capital, raising funds, improving operational efficiency and rationalise our cost structure.

As we steer through uncertain times, we remain focused on preparing ourselves as the global energy industry shifts its focus on the sustainable energy.

FINANCIAL HIGHLIGHTS

There is a slight increase in sale of the tubular products, spare parts and equipment in our oilfield equipment supplies and services. Comprising the bulk of the Group revenue, the increase in equipment sales in this major segment caused the Group's total revenue to increase by 29.0% from S$14.7 million for the financial year 2017 ("**FY2017**") to S$18.9 million in FY2018.

In tandem with the increased revenue, cost of sales increased by 35.6% from S$11.8 million for FY2017 to S$16.0 million for FY2018. All in, gross profit has increased by 2.2 % from S$2.9 million for FY2017 to S$3.0 million in FY2018. Gross profit margin decreased from 19.8% in FY2017 to 15.7% in FY2018 as the tubular product recorded only 5.5% gross profit margin in FY2018.

Overall expenses have decreased by S$2.6 million from S$16.3 million for FY2017 to S$13.7 million for FY2018 resulting from a lower administrative expenses. Decrease in administrative expenses of S$2.2 million was mainly due to a decrease in remuneration related expenses. The operating expenses for FY2018 mainly comprised of provision of doubtful debts of S$7.3 million. The Group recorded a slightly higher exchange loss in FY2018 as compared to FY2017.

OPERATIONAL HIGHLIGHTS

Thus far, we have successfully raised almost S$1.2 million through our placement exercise on 29 March 2018 which strengthened our capital base and facilitated our operations and investments.

The Group's oilfield equipment supplies and services segment forms the Group's main core business. Affected by the moribund business climate for the oil and gas sector, the Group took critical steps to restructure its loss-making subsidiaries and underwent an aggressive cost-cutting campaign.

Some employees of the Group were let go, and projects that did not meet profitability criteria were cancelled or deferred.

CHAIRMAN'S STATEMENT

HIGHLIGHTS IN FY2018

In October 2017, our subsidiary, APAC Coal Limited ("**APAC**") entered into a share purchase agreement to acquire 100% of the share capital of Credit Intelligence Holding Limited, Cayman Company No. 0021770 ("**CIH**") from Beta Field (China) Financial Information Services Ltd (the "**Transaction**").

The Transaction presents an excellent opportunity for the Company to enhance the value of its shareholdings in APAC and also to rationalise its loss making coal division that currently has a protracted legal dispute.

We are pleased that APAC completed the acquisition of CIH's share capital and is currently trading as "Credit Intelligence Limited" on the Australian Securities Exchange ("**ASX**"). As of 28 May 2018, APAC has ceased to be a subsidiary of the Company.

In the same month of May, we received news from PT Hanjungin that the development site in Kupang is currently subject to a dispute between third parties to which neither the Company nor PT Hanjungin is a party to this dispute.

Two groups of parties are disputing the rights to the 75 hectares land of which PT Hanjungin has bought a plot of 15 hectares land from the defendants for its property development project. Subsequently, PT Hanjungin has become a party to this dispute in a latest case filed on 25 June 2018. For the avoidance of doubt, the Company is not a party to all the disputes.

Our Indonesian legal advisor has advised that there is risk on the part of PT Hanjungin if the claim by the plaintiffs is successful. The latest case filed on 25 June 2018 may pose significant difficulties for the Company to recover the amount owing of S$7.3 million as PT Hanjungin may encounter significant difficulties in marketing its property development or disposing the 15 hectares of land entirely, as any potential buyers will be wary of the potential risks involved.

We will continue to take steps and efforts to recover the amount owed and shall concurrently seek additional information on the said dispute to provide updates to our shareholders accordingly.

On 22 June 2016, the Company's wholly-owned subsidiary, MEG Management Sdn Bhd, ("**MMSB**"), embarked into a project to build and manage a microalgae oil cultivation facility (the "**Microalgae Project**") in Selangor, Malaysia.

Currently, there are 492 cultivation tanks on the site. We are actively working on optimising the growth rate of the algae as well as stabilising and increasing the yield of oil from the algae to its fullest potential. We are also in the process of fine tuning the mechanism of the machines to customise them to our specific needs.

CONCLUSION

Driven by Asia's growing population and rapid developments, the demand for energy continues to grow. The Paris Climate Agreement sets new expectations for greener and cleaner energy, causing a shift in consumer's preferences and demand for renewables. All this change offers huge opportunities to break new ground in low-carbon energy solutions and technologies.

Presently, the Group is actively concentrating on making our Microalgae Project a success while keeping an eye out for new investment opportunities globally.

An increasingly carbon-conscious world augurs well for our Microalgae Project. Bolstered by our strategic investment in the renewable energy sector, we are confident that the Group is firmly positioned for the demand for green energy. Successful production for our Microalgae Project would unlock new opportunities for the Group.

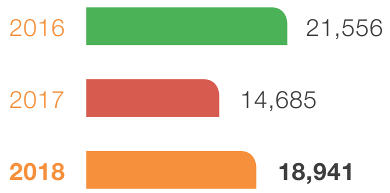
As we move forward, the Group will focus on efficient cost and working capital management. We are aware that there is much work to be done as we endeavor to establish ourselves to a new market. I am confident that the groundworks we have established will provide the Group with a platform for growth over the long term, and will put the Group in a stronger position.

We wish to take this opportunity to acknowledge the stewardship, dedication and support of the Board and the hard work and contributions by the management and the staff of the Group during the year. On behalf of the Board and Management, we would also like to thank all our valued shareholders, customers, business associates and investors, for their unwavering support and confidence in the Group.

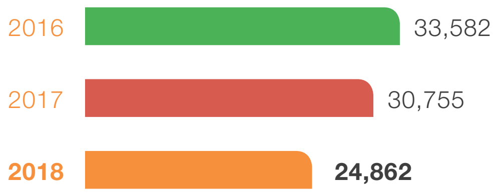
KUSHAIRI BIN ZAIDEL
Chairman and Independent Director

FINANCIAL HIGHLIGHTS

TURNOVER (S$'000)

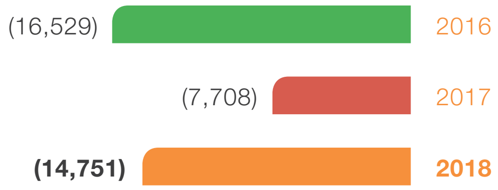


NET ASSET VALUE (S$'000)



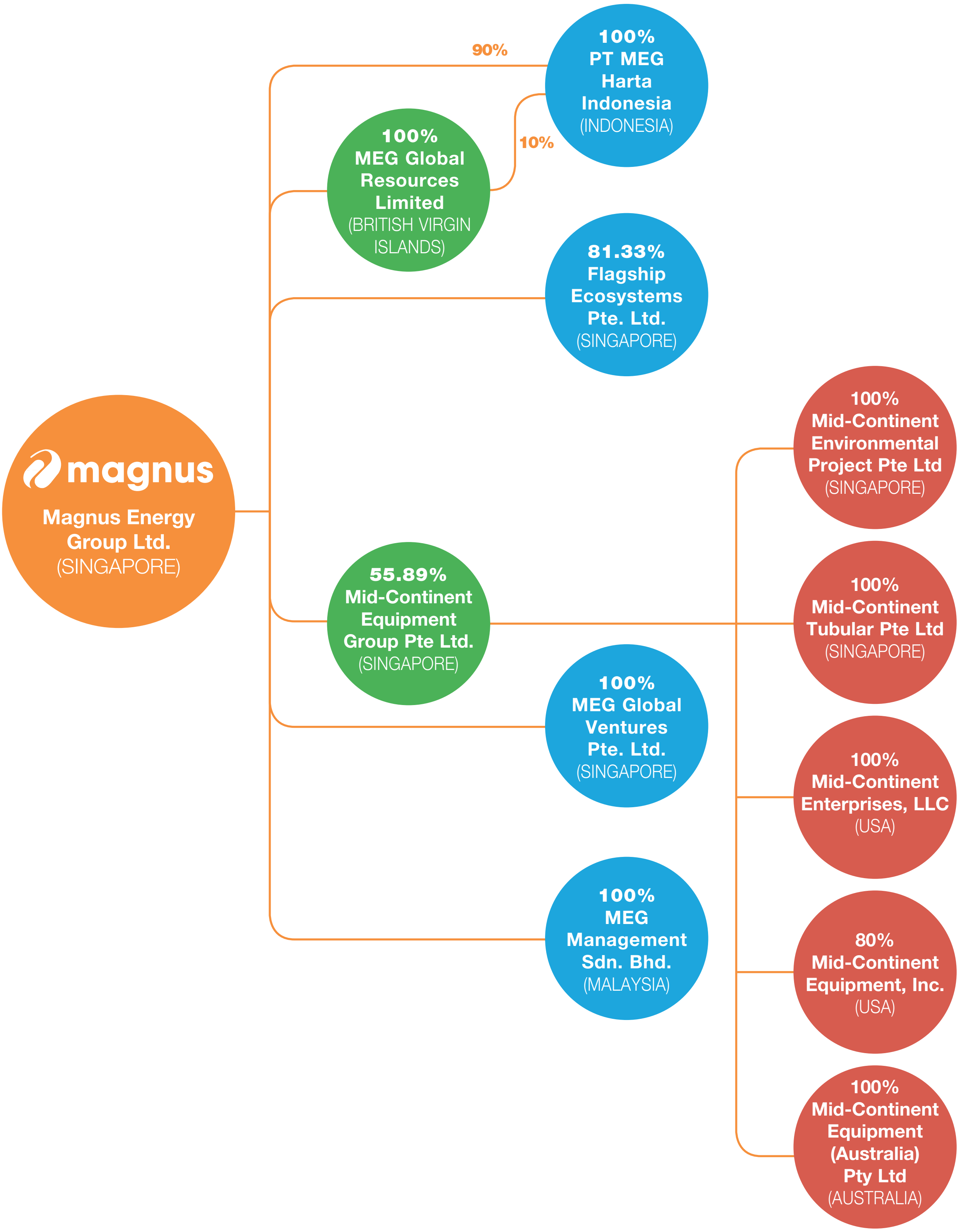
LOSS FOR THE YEAR FROM CONTINUING OPERATION (S$'000)

TOTAL LOSS AFTER INCOME TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (S$'000)



	2018	2017	2016
Basic losses per share (Cents)	**(0.13)**	(0.10)	(1.46)
TURNOVER BY BUSINESS ACTIVITIES			
Oilfield equipment supply and services (S$'000)	**18,941**	14,123	21,100

GROUP STRUCTURE



BOARD OF DIRECTORS

MR KUSHAIRI BIN ZAIDEL

Non-Executive Chairman and Independent Director

Date of first appointment: 5 November 2012
Date of last re-election as a director: 31 October 2016

Mr Zaidel joined the Board as an independent Director in November 2012 and was appointed the Chairman of Magnus in July 2014. He is also the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

Mr Zaidel is the founder and executive director of several private companies in Malaysia with extensive businesses coverage in commercial property developments, telecommunications, civil engineering services and venture capital. He is currently a non-executive independent director of Kuantan Flour Mills Bhd., a company listed on Bursa Malaysia. Mr Zaidel is also a board member of MEG Global Resources Limited, a subsidiary of Magnus.

Mr Zaidel graduated with a Bachelor of Business (Accountancy) from University of South Australia. He is a Certified Public Accountant registered with CPA Australia. Mr Zaidel is a Chartered Secretary with the Institute of Chartered Secretaries & Administrators (UK) and is also a member of the Malaysian Institute Chartered Secretaries & Administrators.

MS SEET CHOR HOON

Independent Director

Date of first appointment: 15 August 2014
Date of last re-election as a director: 31 October 2017

MS SEET joined the Board as an independent Director in August 2014. Currently, she is the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Ms Seet is currently a board member of Mid Continent Equipment Group Pte Ltd. ("Midcon"), a subsidiary of Magnus. Ms Seet was a director and owner of an education business. Prior to that, she was a search consultant with an established search firm specialising on searches for senior human resources, finance and business leader positions for clients of multinational corporations' headquarters in China. Ms Seet had also held various senior positions in a multinational company in the areas of human resource, business development, retail distribution and marketing from 1999 to 2009.

Ms Seet graduated with a Master Degree in Business Administration from University of Dubuque, Iowa (USA) and holds a Diploma in Marketing from The Chartered Institute of Marketing (UK).

MR ONG CHIN CHUAN

Independent Director

Date of first appointment: 30 June 2015
Date of last re-election as a director: 29 October 2015

Mr Ong joined the Board as an independent Director in June 2015. He is also the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee.

Mr Ong is currently the Head of Finance leading corporate exercise, accounting, credit control and treasury functions in Singer (Malaysia) Sdn Bhd, a consumer durables marketing company, and its group of companies. He has more than 18 years of financial and accounting experience in both professional and commercial firms, having held numerous senior roles in various multinational corporations. His earlier professional experience includes risk management and internal audit within two blue chip conglomerates with exposure in power generation, gaming, leisure and property investment industries. Prior to that, he also served for more than 3 years as an audit assistant and corporate reorganisation consultant in Deloitte Malaysia.

Mr Ong is a fellow member of the Association of Chartered Certified Accountants (UK), a Chartered Accountant of Malaysian Institute of Accountants and a CFA charterholder.

BOARD OF DIRECTORS

MR ONG SING HUAT

Non-Independent Non-Executive Director

Date of first appointment: 2 November 2015
Date of last re-election as a director: 31 October 2016

Mr Ong joined the Board as a non-executive and non-independent Director in November 2015. He is a member of the Nominating Committee and Remuneration Committee. Mr Ong is also the Company Secretary for Magnus.

Mr Ong is currently a Partner and Head of the Business Practice Group at Robert Wang & Woo LLP. He started his legal career as a civil litigator dealing with a wide variety of practice areas such as contractual and shareholder disputes, matrimonial proceedings, insurance, shipping and construction law before finding his passion and niche in corporate and commercial work.

His areas of practice encompass corporate commercial, employment and immigration, intellectual property & information technology, and mergers and acquisitions. He has been actively involved in capital markets and corporate advisory work, fund raising exercises, crossborder corporate transactions for acquisition in fields such as renewable energy, mining and resources, shipping and other types of business assets. These acquisitions span countries such as Australia, Bolivia, China, Ghana, Malaysia and Indonesia.

Mr Ong also advises on corporate matters such as the setting up of joint ventures and the structuring of commercial ventures, intellectual property matters including trademarks and copyrights, as well as supervises the setting-up of companies and businesses, routine corporate compliance and secretariat matters. He was a legal counsel for a SGX-listed group with varied business interests, ranging from property and hotel development and management to hospitality and specialty restaurants.

Mr Ong graduated with a Bachelor of Laws (Honours) from University of Leicester in 1996. He was called to the Bar at the Middle Temple, United Kingdom in 1999 and was admitted to the Roll of Advocates & Solicitor, Supreme Court of Singapore in 2001. Mr Ong is also a member of the Law Society of Singapore and a member of the Singapore Academy of Law.

MR CHARLES MADHAVAN

Non-Independent Non-executive Director

Date of first appointment: 2 April 2018
Date of last re-election: N.A.

Prior to joining Magnus, Mr Madhavan served as director to various companies in both onshore and offshore oil and gas industry. Mr Madhavan was previously an executive director at GSS Energy Limited, a company listed in the Singapore Stock Exchange.

KEY MANAGEMENT

MR LUKE HO KHEE YONG

Chief Executive Officer

Mr Ho joined Magnus in 2006 and has held several key positions since 2009. He was promoted to interim chief executive officer of the Company in October 2014 and thereafter assumed the position of chief executive officer in June 2015.

Mr Ho is responsible for the strategic and overall management, daily operations and performance of the Group. He currently sits on the board of all major subsidiaries of Magnus. He has held several senior positions over 15 years in the Asia Pacific Region.

Mr Ho holds a Master Degree in Strategic Business Management and the CIMA Professional Qualification with the Chartered Institute of Management Accountants of the United Kingdom (the "CIMA"). He is an associate member of the CIMA and also a non-practicing member of Institute of Singapore Chartered Accountants.

MR TAN YEW MENG

Group Financial Controller and Deputy Corporate Secretary

Mr Tan was appointed as the Financial Controller in June 2015.

He is responsible for the full spectrum of financial and accounting functions, taxation matters, treasury management, risk management, corporate secretary as well as compliance issues of the Group. He is a deputy corporate secretary of the Company and serves as Company Secretary for the various subsidiaries in Singapore. He has more than 10 years of commercial and audit experience in Singapore and Malaysia.

Mr Tan holds a Bachelor Degree in Accounting. He is a non-practising member of the Institute of Singapore Chartered Accountants and a member of Association of Chartered Certified Accountants. He is also a member of the Singapore Institute of Directors and Singapore Institute of Accredited Tax Professionals.

MR JASON ONG WIE

Director

Mid-Continent Equipment Group Pte Ltd.

Mr Jason Ong is the Director of our subsidiary, Mid-Continent Equipment Group Pte Ltd. ("**Mid-Con**"), and is also director of all the other subsidiaries of Mid-Con.

He is responsible for assisting and helping the leadership to steer the Group through its growth plans in local and overseas markets. In addition to his responsibilities of his directorial roles for Mid-Con and its subsidiaries, Mr Jason Ong is also involved in seeking and developing new markets and business relationships, both locally and overseas.

Mr Jason Ong holds a Bachelor of Arts Degree in Economics and Political Science from the National University of Singapore.

MR MAUNG THEIN HTIKE, TIM

President

Mid-Continent Equipment, Inc. (USA)

Mr Htike joined Mid-Continent Equipment Group Pte Ltd. ("**Mid-Con**") in June 1993 as the Manager of Base Operations and Logistics. In June 2002, he was promoted to and was the General Manager until he moved to Mid-Continent Equipment, Inc. (USA) in March 2008.

Mr Htike is now the President and shareholder of Mid-Continent Equipment, Inc. (USA) owning 20% of shares. He is responsible for overall operation and profitability of Mid-Continent Equipment, Inc. (USA). He has total 26 years of oil & gas industry experiences in various capacities. Prior to joining Mid-Con, he worked for Yangon branch of Yukong Limited, a Korean oil & gas exploration company, as a Material and Logistics Executive between 1990 and 1993.

Mr Htike holds a Bachelor of Commerce (B.Com) from Institute of Economics, Rangoon in Myanmar.

CORPORATE INFORMATION

Board of Directors

Kushairi Bin Zaidel
(Chairman and Independent Director)

Seet Chor Hoon
(Independent Director)

Ong Chin Chuan
(Independent Director)

Ong Sing Huat
(Non-Executive Non-Independent Director)

Charles Madhavan
(Non-Executive Non-Independent Director)

AUDIT COMMITTEE

Ong Chin Chuan (Chairman)
Kushairi Bin Zaidel (Member)
Seet Chor Hoon (Member)

NOMINATING COMMITTEE

Kushairi Bin Zaidel (Chairman)
Seet Chor Hoon (Member)
Ong Chin Chuan (Member)
Ong Sing Huat (Member)

REMUNERATION COMMITTEE

Seet Chor Hoon (Chairman)
Kushairi Bin Zaidel (Member)
Ong Chin Chuan (Member)
Ong Sing Huat (Member)

COMPANY SECRETARY

Ong Sing Huat

DEPUTY COMPANY SECRETARY

Tan Yew Meng

REGISTERED OFFICE

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Fax: 6325 1851
Electronic mail address: info@magnusenergy.com.sg
Website: www.magnusenergy.com.sg

CONTINUING SPONSOR

Stamford Corporate Services Pte. Ltd.
10 Collyer Quay
#27-00 Ocean Financial Centre
Singapore 049315

SHARE REGISTRAR & SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road
#02-00
Singapore 068898
Tel: 65-6236 3333
Fax: 65-6236 3405

INDEPENDENT AUDITOR

Moore Stephens LLP
Public Accountants and Chartered Accountants
10 Anson Road
#29-15 International Plaza
Singapore 079903
Partner-in-charge:
Mr Neo Keng Jin
(Appointed since financial year ended 30 June 2017)

PRINCIPAL BANKERS

United Overseas Bank Limited
80 Raffles Place
#12-00 UOB Plaza 1
Singapore 048624

SUSTAINABILITY REPORT

Message from the CEO 102-14

At Magnus Energy Group Ltd. ("**Magnus**" or the "**Company**" and together with its subsidiaries, the "**Group**"), we view sustainability as an active investment and involvement in safeguarding our environment and bettering the lives of our people where we work and live.

The Paris Climate Agreement has set the world taking rapid steps towards a greener energy transition. In the same year, Singapore took steps towards the transition by launching the world's largest floating solar photovoltaic cell test-bed measuring 1ha and containing 10 different solar photovoltaic systems at Tengah Reservoir. By 2020, Singapore aims to put in place enough solar PV systems to supply 350MWp of electricity – about 5 per cent of its projected peak electricity demand.

In line with the above, Magnus is dedicated to our role in the transition to a cleaner energy future and the steps needed to create a sustainable economy based on green energy. As part of a reinvigorated business strategy, Magnus embarked on a new journey in the direction of producing biofuel. Against a backdrop of low oil prices, our wholly owned subsidiary, MEG Management Sdn. Bhd. began to build and manage a microalgae oil cultivation facility in Selangor, Malaysia. This not only creates jobs in local communities, but at the same time, it also provides an alternate and cleaner energy solution for the future.

For Magnus, sustainability begins right from the start. From careful selection of the lands that we used to build the microalgae oil cultivation facility, to taking a strict "no burn" policy in the preparation of the developments, we made conscious efforts to commit to our environmental responsibility as far as reasonably practical. Meticulous planning is imperative in ensuring we play a positive role in communities where we operate. Magnus seeks to contribute to both the global and local economies by creating value across all levels.

In addition to the above, Magnus also seeks to empower our people and communities and is cognisant to strengthen our corporate governance. Responsible business operation is vital to the sustainability of the Company and we are committed to working towards a business that is not only profitable, but also makes a positive impact to our stakeholders and the environment. This Sustainability Report details our efforts and performances for the year 2018.

Luke Ho Khee Yong
Chief Executive Officer

SUSTAINABILITY REPORT

Magnus at a glance

Magnus is an investment holding company in Singapore[102-3] with a diversified portfolio comprising oil and gas equipment distribution and renewable energy.[102-2]

- Incorporated in 1983 as a mechanical and electrical contractor
- Listed on SGX in 1999
- Headquarters in Singapore
- Shift focus to supply of equipment and spares in oil and gas industry in 2004
- Embarked on microalgae oil cultivation in 2016

Magnus Sustainability Report

Reporting Period

This report covers the sustainability performance of Magnus' businesses in Singapore for the period 1 July 2017 to 30 June 2018.[102-50] The previous Sustainability Report was published in the Annual Report 2017.[102-51]

Reporting Scope

The information and figures in this report refers to Magnus and its subsidiaries, unless otherwise stated.[102-45]

GRI Guidelines

This report has been prepared in accordance to the Global Reporting Initiatives (GRI) Guidelines.[102-12, 102-54] We have not sought external assurance for this report.[102-56]

Feedback

We welcome all feedback on this report. Please address all feedback and comments to us at info@magnusenergy.com.sg.[102-53]

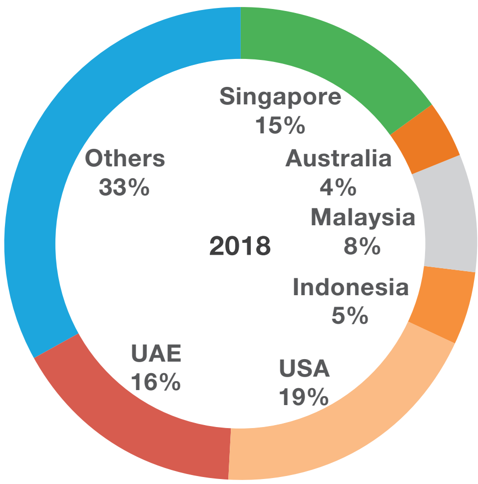
Where we operate

As at 30 June 2018, the Group has customer mainly from Singapore, Australia, Malaysia, Indonesia, the United States of America, United Arab Emirates and others.[102-4, 102-6]

Business Volume in Different Countries

- Singapore
- Australia
- Malaysia
- Indonesia
- USA
- UAE
- Others

Others includes different countries whose individual contributions is not more than 5%



SUSTAINABILITY REPORT

Materiality Assessment

Materiality Assessment Process 102-46, 102-47

Through meetings and discussions with our external and internal stakeholders through Shareholders/General Meetings, email, our Company website and direct inputs, we identified the material aspects that our stakeholders are concerned about.

The following shows the methodology of our materiality assessment process:

Using the GRI issues indicators as a guideline, we identify the potential social, economic and environmental issues

We examine stakeholders' perspectives from feedbacks and meetings

Identify the top concerns across Magnus

Assess our risk management and operational procedures based on the concerns raised

Stakeholders Engagement Process 102-21, 102-42, 102-43

Our stakeholders are identified and they share their concerns

We collect information via email feedbacks from our stakeholders and also from meetings

The feedback is consolidated and several key issues are identified

We review the key issues and incorporate them into our strategy plans and management procedures

We have engaged 5 key stakeholder groups to ensure that we have diverse viewpoints on how we contribute to the community effectively. We aim to establish enduring relationships with governments, customers, employees, partners, suppliers and communities in the countries where we work.

The table below summaries each stakeholder group, their concerns and our responses: 102-40, 102-44

No.	Stakeholder Groups	Their concerns	Our Responses
1	Shareholders/Investors	• Transparency and timely updates • The risks involved in the investments and actions we take to mitigate the risks	• Magnus provides timely updates to our shareholders via SGXnet announcements and at our Annual General Meetings • We practice good corporate governance and risk management

SUSTAINABILITY REPORT

No.	Stakeholder Groups	Their concerns	Our Responses
2	Employees	• To work in a conducive and pleasant environment • Attractive rewards and benefits • Opportunities for career development • A safe work environment	• We emphasis on good human resources policies that promote fairness and safe working conditions • We reward good performance to attract and retain talent • We train and develop our people to their fullest potential
3	Business partners and suppliers	• Stable long-term relationships with our Group • Opportunities for business collaborations in other projects	• Our Group cultivates and strengthens relationships with its suppliers and at the same time, maintains our emphasis on fair and ethical procurement process • We hold meetings with our business partners to pursue mutually beneficial business objectives
4	Government agencies	• Compliance with local laws and regulations • Environmental issues and waste management	• We comply with existing laws and enforce on procedures to ensure adherence • We venture into green energy business and adhere strictly to the local environment laws
5	Charities and communities	• Support for social welfare and community care	• We are working towards supporting charitable causes financially

The materiality matrix below plots the material topics and their impact on Magnus' business against their influence on our stakeholders$_{102\text{-}47}$:

		Our business		
		Low	Medium	High
Our stakeholders	High		• Energy management • Waste management	• Transparency and corporate governance • Good risk management
	Medium	• Participation in local communities and charities	• A strong rapport with our suppliers and business partners	• Employee health and safety • Compliance with local laws
	Low			• Employee retention • Employee training

SUSTAINABILITY REPORT

Our Strategy & Sustainability Approach

The Board of Directors ("**Board**")[102-19] considers the sustainability of the environmental, social and governance aspects in its strategy formulation and strives to create sustainable growth for all stakeholders.

Our Sustainability Commitment

Magnus' sustainability strategy is dedicated to managing risks and mitigating the impacts of our operations while creating value for our shareholders, governments, employees and business partners.

An adequate and effective sustainability framework is in place to enhance business resilience and adapt to the evolution of the business landscape.

The Board oversees the sustainability management and is supported by all key managers in the respective business units to ensure that each business unit is a responsible citizen in the areas of social, environment and governance[102-20].

Sustainability Framework

Magnus' strategy framework focuses on four key pillars:

Corporate Governance	Our Business Partners	Environmental Impacts	Empowering Lives
Conduct business with integrity and in compliance with the law of the countries we operate in	Focus on long-term profitability to create sustainable shareholder value	Manage our carbon footprint with care	Grow and nurture our employees. We provide career development and training opportunities
Uphold the highest business ethics with zero tolerance for fraud and corruption	Treat our business partners with respect and emphasize fairness in our relationships with them	Embark on new business ventures into green energy	Foster a safe, respectful and non-discriminating workplace
			Contribute to local charities and communities

SUSTAINABILITY REPORT

How we conduct our business:[102-16]

Risk management

We are constantly adapting and being flexible in our businesses to meet the challenges of changing oil prices. By careful planning, we aim to mitigate future risks and take advantage of new opportunities that may arise.

Stakeholder engagement

We communicate with our stakeholders through various platforms. We incorporate appropriate and relevant feedback from stakeholders into our business plans and actions.

Responsible management

We monitor and review our operations and work processes to ensure that we maximise our resources and minimise any negative impact to the environment.

Corporate Governance

Good corporate governance and prudent risk management is crucial in protecting the long-term interests of the shareholders and the Group's assets. The Board and the management of the Company (the "**Management**") are committed to uphold good corporate governance practices and standards, as part of our collective effort to enhance shareholders' value. The support and trust of our shareholders is of utmost importance to the successful implementation of the initiatives of Magnus.

We believe that sound corporate governance is vital in gaining and retaining investors' trust and confidence in Magnus, as well as attracting the interest of new investors. Magnus' corporate governance practices are set out in our Annual Report with specific reference and adherence to the principles and guidelines of the Code of Corporate Governance 2012 ("**Code**").

Anti-corruption and Fraud Prevention[103-1, 103-2, 103-3]

Magnus is committed to conducting business with integrity, high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. Magnus' commitment shapes a culture of accountability and responsibility among the employees and the Group's business partners. Magnus has also implemented a system of internal controls at all levels of the Group.

Magnus has in place a whistle blowing policy for employees and external parties to voice their concerns over unethical behavior and practices. Magnus adopts a zero tolerance policy towards all forms of fraud, corruption, bribery and extortion. An employee who observes or notices any unethical and improper practices or alleged wrongful conduct in the Company may report the same or any other relevant concerns to the Chairman of the Audit Committee (the "**AC**"), who is an Independent Director of the Company. Every employee is provided with the contact details of the AC Chairman. Confidentiality of the whistle blower shall be maintained to the greatest extent possible as this would allow employees to report inappropriate conduct without any fear of dismissal.

SUSTAINABILITY REPORT

Looking ahead

Magnus plans to:

- Continue to adhere strictly to the Code of Corporate Governance.

Our Business Partners 102-9

Magnus' business partners, including suppliers and customers, are integral to the success of our business. It is Magnus' philosophy to know, understand and appreciate our business partners as well as build trust and loyalty with them, because Magnus believes that this would sustain the business relationship and propel future growth and profitability of our Group.

Frequent communication and continuous engagement between Magnus and our business partners establishes mutual understanding and strengthens trust. In addition, Magnus' business partners are frequently kept in the loop about Magnus' business progress and developments.

Due diligence process is conducted on Magnus' customers and suppliers for the assessment of their track record, quality of services, reputation and past years' financial reports. This is to ensure the highest quality of work and service provided to Magnus and shareholders are reassured that the customers and suppliers are reliable and trustworthy.

Looking ahead

Magnus plans to:

- Continue to maintain our due diligence process on our customers and suppliers
- Continue to build good rapport with our partners

Environment Impact 103-1, 103-2, 103-3

Magnus is committed to reducing waste generation and complying with all laws, regulations and standards in relation to environmental protection. To minimize the environmental impacts of the Group's business activities, Magnus adheres closely to ISO standards which aims to control quality, environment, and occupational health and safety risks.

In our workplace

Magnus recognizes the importance of creating an eco-friendly work place. We encourage recycling and discourage wastage in the workplace. In line with the above, Magnus maintain efficient office practices, by reducing wastage and recycling what we can:

- Paper
  - √ We encourage digital filing of corporate records to reduce wastage of paper
  - √ Since financial year 2017, we have been encouraging shareholders to download our Annual Reports from our website instead of printing and mailing hard copies of the Annual Report to all shareholders. However, shareholder who so wish to request a physical copy of the Annual Report may send their request via the feedback form on our website for a physical copy to be provided

SUSTAINABILITY REPORT

- √ We buy and use only environmentally friendly paper
- √ Whenever possible, we try to print on both sides of the paper
- √ For non-confidential print-outs which are printed single-sided, we recycle the unprinted side as rough paper

- Electricity and Water
  - √ We take steps to educate our employees on the importance of conserving energy, for example, through posters on saving water and electricity tips within the office premise
  - √ We adopt an internal "Switch-Off" policy where our employees turn off lights, computers, and other equipment at the end of the workday
  - √ We use only energy-efficient LED lighting in the Magnus office

In our businesses

Magnus is committed towards ensuring that we conduct our businesses and operations in a responsible manner with minimal damage to the environment.

In the countries that we operate in, Magnus is pleased not to have received any penalty for the flouting of environmental laws. This is largely due to Magnus' strict adherence to environmental laws and regulations which stem from Magnus' strong commitment towards environmental protection and conservation.

We undertake environmental and workplace safety assessments to understand the possible impacts from our operations for the microalgae oil cultivation facility. We incorporate the results of the assessments into our microalgae oil cultivation facility design and management plans to effectively mitigate risks. This allows us to identify opportunities and risks early on in the planning process and take appropriate steps.

The Company did an Environment Impact Assessment (EIA) in April 2016 when assessing possible sites for the microalgae oil cultivation facility. On top of that, we also have a strict sustainability policy in which we take a strong stance in conserving the environment where our microalgae oil cultivation facility is. We practice natural pest control and whenever possible, avoid toxic pesticides. We also manage oil the storage, use and application of organic fertilisers responsibly.

Our business partners and suppliers have also been constantly reminded by Magnus about the importance of environmental protection and conservation.

Addressing Climate Change $_{201\text{-}2}$

Magnus is aware of the increasing global need for renewable energy and the need to reduce carbon dioxide ("**CO_2**") emission in the fight against climate change. As an investment company that invests heavily in the energy industry, we have a role to play by reducing our carbon emissions as far as reasonably practical. We are actively pursuing new business opportunities that involve renewable and environmentally-friendly energy.

Magnus is thrilled to be able to play a part in embracing renewable energy and reducing our carbon footprint via our microalgae oil cultivation facility. The production of microalgae oils contributes significantly lesser CO_2 compared to the conventional extraction of fossil fuels.

SUSTAINABILITY REPORT

We believe that the first step to addressing climate changes, is to avoid contributing more greenhouse gases to the atmosphere. During site developments for our microalgae facility, we adhere strictly to a “no burn” policy. This means we do not use fire in the preparation of site developments. During the selection process of possible sites for expanding our microalgae oil cultivation facility, we made it a priority not to develop our facility on high carbon stock forests or high biodiversity land and the sites must be far from protected areas and natural watercourses.

We believe that our investment in our microalgae oil cultivation facility brings about benefits other than revenue and profit in 3 ways:

1. Reduction in our carbon footprint

   Microalgae consumes CO_2 during photosynthesis. They are a cost-effective way to reduce CO2 and turns it into useful microalgae oil as long as their production is managed in a responsible way. Typically, about 2.2 tonnes of CO_2 will be utilised per tonne of microalgae oil produced.

   We aim to increase growth of algae in the following years.

2. Greater support from customers and attract new businesses and investors

   Due to the increasing environmental requirements by many government bodies, many customers and potential investors want to work with companies that practice sustainable eco-friendly activities.

3. Improve community relations

   At Magnus, we strive to maintain good environment practices in our operations. We believe that it is our civic duty to minimize the environmental impact in the local areas and countries where we conduct our business activities.

Our key environmental performance indicators $_{302\text{-}1,\ 302\text{-}4,\ 305\text{-}5}$

		2017	Target for 2018	2018	Progress
Energy Use* (SG)	Electricity used (MWh)	259,792	To reduce by 5%	262,259	Needs improvement
Carbon reduction	Metric Ton (MT) CO_2 reduced (consumed during microalgae oil cultivation)	–	12,000 tonne of CO_2	Project still in progress	In progress
Water use* (SG)	Water used (M^3)	1,123	To reduce by 5%	1,055	Needs improvement

* Data for water and electricity consumption was obtained through the utility bills.

* Data is based solely on Singapore entities.

SUSTAINABILITY REPORT

Looking ahead

Magnus plans to:

- Continue to adhere to environmental laws and regulations in the countries we operate in
- Ensure strict adherence to our sustainability policy of the microalgae oil cultivation facility
- Maintain a penalty-free record on environmental laws and regulations
- Set realistic targets for energy and water reduction across our operations

Empowering lives

Our Employees 103-1,103-2-, 103-3

Fair Employment Practices

At Magnus, we advocate on creating an environment where everyone is treated with respect and dignity. We ensure that all employees have the same opportunity to progress with us regardless of gender, race, religion, age, or marital status. Magnus promote fair employment practices to create an environment free from discrimination.

All employees are provided with fair legal contracts and employment conditions that comply with local employment laws and regulations. Employees belonging to the "pioneer generation" are welcomed to continue working in Magnus as long as they are medically fit and can perform their work satisfactorily. We encourage skills, age and gender diversity in the workplace as Magnus believes that these diversities would promote better decision-making through the diversity of views and aid in the formulation of better policies in the workplace.

Parental leave benefits are provided to employees in Singapore in accordance with Singapore legislation. 401-3

Staff Training 103-1, 103-2, 103-3, 404-2

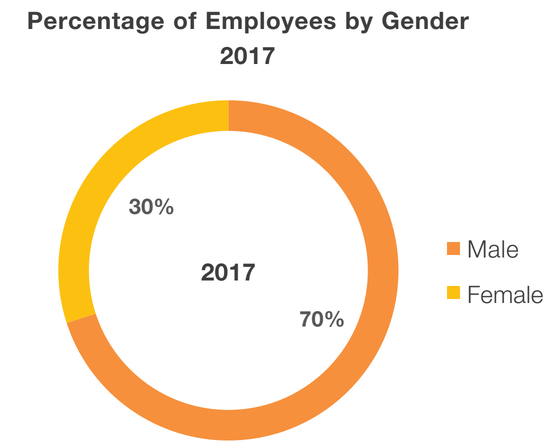
Our employees are pivotal to the sustainable growth and success of Magnus. Magnus takes great efforts in providing skills upgrading and training opportunities so that our staff will be equipped with relevant skills and knowledge in tandem with the future direction of the Group. We provide our employees with opportunities to maintain and develop workforce skills and competencies, through participation in trainings and seminars. The costs are borne by Magnus. All employees have the opportunity to realise their potential and contribute to our overall success.

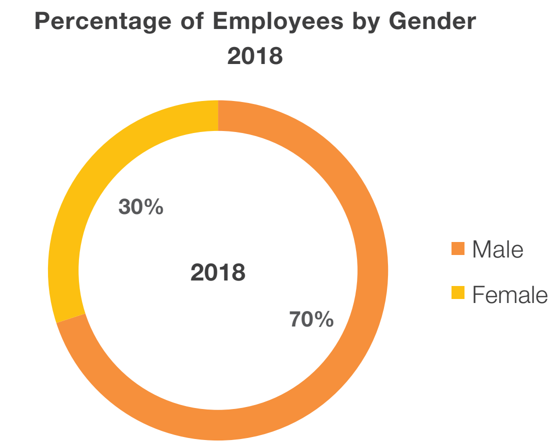
Workforce Statistics 102-8, 401-1, 405-1

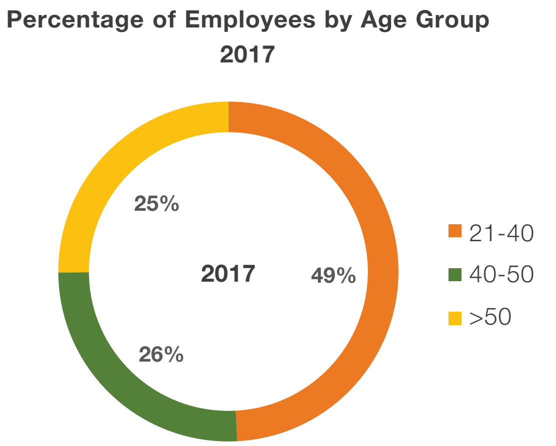
The Group has been carefully optimizing our headcount to ensure that the number of staff commensurate with the business activity levels.

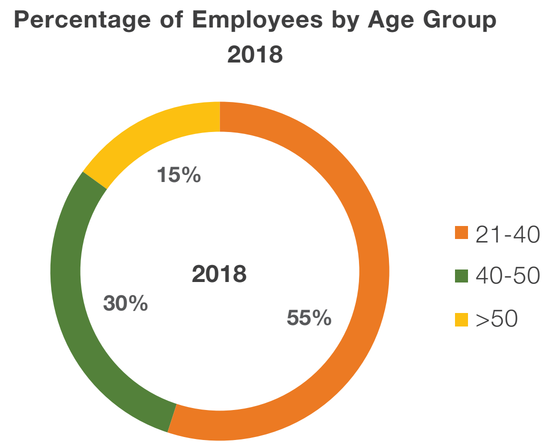
	2017	2018
Number of regular employees at year-end (30 June)	53	44
Employees working in their home country	83%	86%

SUSTAINABILITY REPORT









Looking ahead

Magnus plans to:

- Continue to ensure gender, race and religious diversity in our employees, senior leadership and key decision making roles
- Increase training hours for our employees to build capability and promote from within our existing workforce

Operational Safety *103-1,103-2-, 403-2*

Magnus places strong emphasis on employees' safety in the workplace. It is our goal to make sure that each and every employee returns home safely every day by ensuring safe and healthy working conditions. Magnus is determined to maintain zero incidence of accidents.

Employees and contractors, wherever they work, must meet the local safety standards and requirements. We strive to reduce risks as far as is technically and financially feasible, and to minimise the potential impact of any incident. Our major subsidiaries comply strictly with the Occupational Health and Safety Assessment Series (OHSAS) safety standards and have in place safety committees to oversee safety measures and safety audits in the workplace. Safety audits are regularly held to ensure that safety measures are in place for employees. The safety committees hold meetings and trainings regularly for employees to educate them about the importance of safety measures.

SUSTAINABILITY REPORT

On our microalgae oil cultivation facility, potential hazards are clearly identified with legible signs and emergency procedures displaying primary accident care are also clearly displayed at prominent areas. Magnus has employees who are trained to provide first aid to injured employees. There are sufficient first aid kits located around the workplace to ensure that injured employees can be given immediate medical attention. In addition, fire drills are conducted regularly at our subsidiaries that have their own premises to ensure that employees are adequately prepared in the event of a fire incident.

We are pleased to report that we do not have any fatalities or recordable injuries for the financial year 2018.

Looking ahead

Magnus plans to:

- Train more staff in first-aid
- Maintain zero incidences of workplace injury and accident rates

Charities and communities

Giving back to the community

With more resources in future, the Group hopes to embark on some larger scale community work and engage its staff in values creation work for the benefit of the society.

Looking ahead

Magnus plans to:

- embark on our support to charitable organisation by means of financial contribution and/or volunteering activities

Risk Management 102-11, 102-15, 102-17, 102-19, 102-29

Risk is inherent in our businesses, so effective and timely risk management is crucial to the long term viability of the Company. The AC is responsible for governing risks and making sure that the Management maintains a sound system of risk management and internal control. The AC provides valuable advice to the Management in planning risk management framework, policies and guidelines. The Management will also bring up risk issues for discussion with the AC and the Board every quarterly or whenever necessary.

Magnus has engaged external auditors and internal auditors to conduct reviews of and provide feedback on Magnus' financial and operational risks and controls. The results of the annual review of Magnus' risk management and the auditors' recommendations are reported to the AC and the Management shall take actions based on these recommendations in accordance with the direction set by the AC.

SUSTAINABILITY REPORT

Description of roles in risk management process

Directors and CEO

- Manage the business within the Group's risk appetite limits
- CEO monitor the business progress closely and report to the Board

Directors and CEO

- Conduct business within risk limits
- Prudent use of resources
- Look for best possible return trade-offs

Auditors and Audit Committee

- Review and ensure adherence to guidelines and standards
- Identify and assess operational weakness

Risk	Explanation	Our Strategies
Energy price risks	Magnus is exposed to fluctuating energy prices, such as oil prices. Lower oil price will result lower revenue from our microalgae oil cultivation facility.	• To mitigate the risk of over reliance on oil prices, Magnus constantly keeps a look-out for other feasible projects to invest in.
Investment risks	Magnus' investment risks relate mainly to capital investment on acquisitions or investments in business entities. The capital investment projects, including the selection of suppliers and contractors, are subject to financial procedures and internal selection criteria for the purpose of expenditure control.	• Investment activities relating to acquisitions or investments in business entities are supported by external professionals for specialised services.
Financial risks	Magnus' activities are exposed to a variety of financial risks including credit, foreign currency, market, interest rate and liquidity risks. The harvesting of the algae is also dependent on the weather and climate changes may affect the growth and quality of the algae.$_{201-2}$	• Magnus' risk management strategy features a system of controls to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. • The AC oversees Magnus' financial risk management process through timely reviews of the adequacy and effectiveness of the financial risk management policy, tools, practices, strategies and treatments. • Magnus has a sustainability policy in place for its microalgae project which is committed to reducing its impact on the environment where the microalgae oil cultivation facility is. As microalgae oil cultivation requires large amounts of water, the Company has planned alternative water sources in case of a dry spell.$_{201-2}$

SUSTAINABILITY REPORT

Looking ahead

Magnus plans to:

- Enhance our systems, processes and standards on how we manage risks to attract more investors

Financial Management

Magnus' primary objective with regard to financial management is to maintain sustainable growth in the profitability of its businesses and its operating cash flows in order to uphold the confidence of its business partners, investors, customers, creditors and shareholders. Magnus maintains a balance sheet with low gearing, especially with the current situation of slow recovering oil and gas prices that negatively impacts Magnus' overall performance.

The Placement Shares currently provides the Company with additional capital to seek and seize investment and acquisition opportunities for the future growth of Magnus. Details of the Placement Shares can be found under "Use of Proceeds" in item 13 of the Corporate Governance Report.

Stakeholder Engagement $_{102\text{-}43}$

Magnus works closely with our employees and various business partners to integrate our sustainability ambitions into our businesses. We hope to leverage our resources and make a positive impact on our stakeholders.

Communication

Magnus is committed to continually strengthening our relationship with the investing community. Our shareholders are kept abreast of Magnus' progress through timely information and adequate disclosures on the corporate developments and financial results of Magnus via the announcements on SGXNET (www.sgx.com). All of Magnus' information is also available on the Company's website (www.magnusenergy.com.sg). Shareholders' meetings are held at least once a year and shareholders are encouraged to share their views and make enquiries on the on-going affairs and progress of Magnus.

The Board and the Management shall provide timely business updates and corporate information to our shareholders via the following channels:

Shareholders' meeting / General meeting	• Annual general meeting • Extraordinary general meeting
Annual report	• Uploaded yearly to our website
SGXNet	• www.sgx.com • Announcements
Email	• info@magnusenergy.com
Company Website	• www.magnusenergy.com.sg

SUSTAINABILITY REPORT

Responsible Management

Singapore Governance and Transparency Index

The Singapore Governance and Transparency Index ("**SGTI**") is a joint initiative of CPA Australia, NUS Business School's Centre for Governance, Institutions and Organisations ("**CGIO**") and the Singapore Institute of Directors. The objective of SGTI is to evaluate listed companies, including REITs and business trusts, on their corporate governance practices and disclosures, as well as the timeliness, accessibility and transparency of their financial results.

SGTI 2018 evaluated 589 Singapore-listed companies in the General Category. The sources of information for SGTI assessment included annual reports, websites announcements on SGXNet and investor relations' email responsiveness.

In view of our continuous efforts and strong commitment to corporate governance, Magnus has benchmarked its governance efforts to the SGTI. Magnus' overall SGTI score for SGTI 2018 has improved from 23 points (SGTI 2017) to 49 points. Magnus is aware that there are still many areas that needs to be improved on and will strive to do better next year.

International Sustainability and Carbon Certification

Being in the energy industry, we need to manage and plan our business to balance the interests of our stakeholders, our business and the environment for the benefit of both current and future generations. As such, a framework or guideline is required for Magnus to succeed.

The European Union ("**EU**") has created a sustainability criteria for all EU member countries to ensure sustainable production and processing of biomass. One way for companies to demonstrate that their biofuels comply with the criteria is to participate in voluntary schemes that have been recognised by the European Commission.

The International Sustainability & Carbon Certification ("**ISCC**") – founded in 2010 – is one of the schemes recognised by the European Commission for all Member countries.

ISCC is a global certification system for Biomass and Biofuels (fuels and electricity) that describes the rules and procedures for certification.

ISCC helps organizations to demonstrate responsibility towards:

- Reduction of Greenhouse Gas Emission (GHG)
- Sustainable land use
- Protection of natural biospheres
- Increase of social sustainability

In recognition of the importance that many government bodies and customers have placed in the environmental and social impact of businesses, Magnus is planning on the ISCC application process for its microalgae oil cultivation facility. A certification of sustainability will strengthen the recognition of our production and market position. Our stakeholders such as customers, business partners, employees and investors demands such certification to ensure that Magnus has achieved an exemplary level of sustainability performance based on the international certification criteria. This, in turn, eases both national and international trade and opens the door to increased market potential.

SUSTAINABILITY REPORT

GRI INDEX TABLE

GENERAL STANDARD DISCLOSURE

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
Organisation Profile		
102-1	Name of the organisation	Magnus Energy Group Ltd.
102-2	Activities, brands, products, and services	11
102-3	Location of headquarters	Singapore
102-4	Location of operations	11
102-5	Nature of ownership and legal form	Refer to group structure
102-6	Markets served	11
102-7	Scale of the organisation	Refer to group structure
102-8	Workforce Statistics	19 – 20
102-9	Organisation's supply chain	16
102-10	Changes during reporting period	No change
102-11	Application of precautionary approach	21 – 22
102-12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organization subscribes	11
102-13	Memberships of associates and advocacy organisations	Nil
Strategy		
102-14	Statement from senior decision maker	10
102-15	Description of key impacts, risks, and opportunities	21 – 22
Ethics and Integrity		
102-16	Values, ethics and standards	15, Corporate Governance Report
102-17	Mechanisms for advice and concerns about ethics	21, Corporate Governance Report
Governance		
102-18	Governance structure	Board of Directors, Key Management and Corporate Governance Report
102-19	Delegating authority	14
102-20	Executive-level responsibility for economic, environmental, and social topics	14

SUSTAINABILITY REPORT

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
102-21	Consulting stakeholders on economic, environment and social topics	12
102-23	Report nomination and selection processes for highest governance body	Corporate Governance Report
102-25	Conflicts of interest	Corporate Governance Report
102-29	Identifying and managing economic, environmental, and social impacts	21 – 23
102-35	Remuneration policies	Corporate Governance Report
102-36	Process for determining remuneration	Corporate Governance Report
Stakeholder Engagement		
102-40	List of stakeholders engaged	12 – 13
102-41	Collective bargaining agreements	We adhere strictly to local employment laws and regulations.
102-42	Basis for identification and selection of stakeholders with whom to engage	12
102-43	Approach to stakeholder engagement	12 – 13
102-44	Key topics and concerns raised through stakeholder engagement	12 – 13
Reporting Practice		
102-45	Entities included in consolidated financial statement	Notes to the Financial Statement
102-46	Defining report content and topic boundaries	12
102-47	List of material topics	12 – 13
102-48	Restatement of information	No restatement
102-49	Changes in reporting	No change
102-50	Reporting period	1 Jul 17 – 30 Jun 18
102-51	Date of most recent report	4 October 2017
102-52	Reporting cycle	Yearly
102-53	Contact point for questions regarding the report or its contents	Via feedback forms on Magnus website

SUSTAINABILITY REPORT

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
102-54	Claims of reporting in accordance with the GRI standards	11
102-55	GRI Content Index	25 – 29
102-56	External assurance	Magnus aims to progress the report towards external assurance.
Economic		
201-2	Financial implications and other risks and opportunities due to climate change	22
201-4	Financial assistance received from government	In-principal approval from MIDA on reduction of corporate taxes for MMSB
Anti-Corruption		
103-1	Explanation of material topic and its boundary	15
103-2	Management approach and its components	15, Corporate Governance Report
103-3	Evaluation of the management approach	15, Corporate Governance Report
205-3	Confirmed incidents of corruption and actions taken during the reporting period	There were no known incidents or reports for the financial year ended 2018
Environment		
103-1	Explanation of material topic and its boundary	16
103-2	Management approach and its components	16
103-3	Evaluation of the management approach	16
302-1	Energy consumption within the organisation	18
302-4	Reduction of energy consumption	18
305-5	Reduction of GHG emissions	18
306-3	Significant spills	No significant spills took place for FY2018
307-1	Non-compliance with environmental laws and regulations	No significant fines and penalties were received for non-compliance with local environmental laws and/or regulations.

SUSTAINABILITY REPORT

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
Employee Health & Safety		
103-1	Explanation of material topic and its boundary	20
103-2	Management approach and its components	20
103-3	Evaluation of the management approach	Not applicable
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities.	No fatalities or major recordable injuries for FY2018.
Talent attraction and retention		
103-1	Explanation of material topic and its boundary	19 – 20
103-2	Management approach and its components	19 – 20
103-3	Evaluation of the management approach	19 – 20
401-1	New employee hires and employee turnover	19 – 20
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits are applicable to full-time, contract and part-time employees, with the exception of temporary staff. Variable incentives and flexible benefits may differ depending on individual contracts and performance.
401-3	Parental leave	19. Parental leave benefits are provided to employees in Singapore in accordance with Singapore Legislation.
Training and education		
103-1	Explanation of material topic and its boundary	19
103-2	Management approach and its components	19
103-3	Evaluation of the management approach	19
404-2	Programmes for upgrading employee skills	19
Diversity and equal opportunity		
103-1	Explanation of material topic and its boundary	19
103-2	Management approach and its components	19
103-3	Evaluation of the management approach	19
405-1	Diversity of governance bodies and employees	19 – 20. Note: Female directors made up at least 20% of the Board.

SUSTAINABILITY REPORT

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
406-1	Incidents of discriminations and corrective measures taken	No reports were received of discrimination or exploitative labour practices relating to the Group's operations or suppliers. The Group does not consider its operations and suppliers to have significant risks of child, forced or compulsory labour.
408-1	Operations and suppliers at significant risks for incidents of child labour	
409-1	Operations and suppliers at significant risks for incidents of forced or compulsory labour	

CORPORATE GOVERNANCE REPORT

Magnus Energy Group Ltd. (“**Magnus**” or the “**Company**”) is committed to maintaining high standards of corporate governance and transparency within the Company and its subsidiaries (the “**Group**”) in accordance with the principles and guidelines set out in the Code of Corporate Governance 2012 (the “**Code**”).

The Board of Directors (the “**Board**” or collectively, the “**Directors**”) recognises the importance of having good corporate governance to enhance shareholders’ value and financial performance of the Group. The Company practices precise and clear-cut policies and procedures to improve corporate performance, transparency, integrity and accountability, and to protect the interests of the Company’s shareholders.

This report describes the Company’s corporate governance practices with specific reference made to each principle of the Code for the financial year ended 30 June 2018 (“**FY2018**”). Where there are any deviations from the Code, appropriate explanations have been provided.

1. BOARD MATTERS

THE BOARD’S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management (the “Management”) to achieve this and Management remains accountable to the Board.

Role of the Board

The role of the Board is to oversee the business and corporate affairs of the Group and provide entrepreneurial leadership, set strategic direction and guidance on corporate governance for the Group.

Guideline 1.1 of the Code

The Board’s principal functions include, among others:

- approving the Group’s policies, corporate strategic plans and objectives for the Group;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- nominating Directors for appointment to the Board and appointing of key managerial personnel;
- overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- reviewing the Group’s operations and financial performance and the performance of Management;

CORPORATE GOVERNANCE REPORT

1. **BOARD MATTERS** (Continued)

Role of the Board (Continued)

- identifying key stakeholder groups and recognising the importance of their perception of the Company's standing and reputation; and

- considering sustainability issues, including environmental and social issues as part of the Group's strategic formulation.

The Group has adopted internal control systems that set out approval limits for capital expenditures, investments and divestments and cheque signatories arrangements. The Board obtains timely and adequate information during Board meetings in Board papers that identify and address key issues concerning the Group.

The Board with its best efforts and knowledge ensures that shareholders and stakeholders needs are addressed by setting standards and values to uphold the performance and integrity of both the Board and the Management. The Board communicates the requirements and demands during the meetings held throughout the year with the Management. The Directors are obliged to act in good faith to exercise due diligence and objectively discharge their duties and responsibilities at all times in their decisions concerning with the Group's businesses.

Guideline 1.2 of the Code

The day-to-day management of the Group's businesses and affairs, the development of various business activities and the formulation of corporate strategies have been entrusted to the Management that is led by the Chief Executive Officer (the "**CEO**"). This is to facilitate effective management. The directors make decisions on the recommendations of the management in the interests of the Group objectively.

Guideline 1.3 of the Code

Board Processes

The Board has delegated specific responsibilities to three Board Committees, namely, the Audit Committee (the "**AC**"), Nominating Committee (the "**NC**") and Remuneration Committee (the "**RC**") to support its role. Each Board Committee operates within its own clearly defined terms of references and operating procedures which are reviewed on a regular basis and improved as and when required to meet the changes in the laws and other guidelines.

The Company has taken steps to ensure participation of all directors when selecting directors to the three Board Committees so as to maximise their effectiveness. All Committees are headed by independent directors. The Board Committees examine specific issues and report to the Board with their decisions and/or recommendations. However, the ultimate responsibility of all matters lies with the entire Board.

Guideline 1.5 of the Code

CORPORATE GOVERNANCE REPORT

1. BOARD MATTERS (Continued)

Board Meetings and Attendance

The Board meets at least quarterly to review and consider the Group's key activities, strategies, financial performance and to approve the release of the results of the Group. Dates of the Board, AC, RC, NC and annual general meetings are scheduled at the beginning of each calendar year to assist Directors in planning their attendances.

Guideline 1.4 of the Code

Ad hoc meetings are convened when there are pressing matters requiring the Board's decisions and approvals in between the scheduled meetings. Clear directions are given to the Management on matters that must be approved by the Board.

Matters which are specifically reserved for the Board's decision or approval include, among others:

- statutory requirements such as approval of the annual report and financial statements;
- other requirements such as quarterly and full year results announcements;
- approval of the Group's policies, corporate strategies, and business plans;
- approval of annual budgets, major funding proposals, investment and divestment proposals;
- corporate financial restructuring plans and issuance of shares; and
- approval of acquisition/disposal and other material transactions.

The Constitution of the Company provides for the directors to participate in Board meetings other than physical meetings, by means of teleconferencing or video-conferencing.

The number of meetings held by the Board and Board Committees and attendance of each member of the Board for the financial year under review is tabulated below:

Name of Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Kushairi Bin Zaidel	5	4	4	3	1	1	3	2
Seet Chor Hoon	5	5	4	4	1	1	3	3
Ong Chin Chuan	5	4	4	4	1	1	3	2
Ong Sing Huat(1)	5	5	4	4	1	1	3	3
Charles Madhavan(2)	2	1	1	1	1	1	1	0

(1) Mr Ong Sing Huat ceased to be a member of AC with effect from 1 November 2017 and attended the AC meetings by invitation.

(2) Mr Charles Madhavan was the Managing Director for the period 2 April 2018 to 26 May 2018. His employment as Managing Director was terminated on 26 May 2018 and he remains a Non-Executive Director of the Company as at the date of this report. Mr Madhavan is not a member in any Board Committee and attended the Board Committee meetings by invitation.

CORPORATE GOVERNANCE REPORT

1. **BOARD MATTERS** (Continued)

Training of Directors

All Directors are appointed to the Board by way of a formal letter of appointment or service agreement setting out the scope of their duties and obligations. Directors may, at any time, request for further explanations, briefings or informal discussion on any aspect of the Group's operations or business issues from the Management.

Guideline 1.7 of the Code.

Where the Company appoints a first-time director, the new appointee would be put through the Listed Company Director Programme conducted by Singapore Institute of Directors ("**SID**"). The company secretary and/or deputy company secretary will bring to the directors' attention, information on seminars that may be of relevance to them.

Newly appointed Directors will receive a welcome pack containing the relevant governance documents, including Code of Corporate Governance, the Company's Constitution (Formerly known as Memorandum and Articles of Association), Directors' Code of Conduct setting out the standards to ensure directors discharge their responsibilities dutifully and diligently, Board Committees' terms of reference, schedule of all meetings and events for the calendar year, and copies of other relevant legislation and guidance, Company policy and procedure documents.

Guideline 1.6 of the Code

The Company will organize a comprehensive orientation and meet with the Management for incoming Directors to introduce and familiarise them with the business operations and regulatory issues of the Group. Directors are kept abreast of any developments which are relevant to the Group and informed via electronic mail of regulatory changes affecting the Group.

In addition, the Board encourages its members to attend seminars organised by SID or Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and receive appropriate training to improve themselves on the continuing obligations and various requirements expected of a listed company in the discharge of their duties as directors and the costs of such training will be borne by the Company.

CORPORATE GOVERNANCE REPORT

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises of two (2) non-executive non-independent directors and three (3) independent directors.

Guideline 2.1 of the Code

Name of Directors	Designation	Date of Appointment	Date of Last Re-election	AC	NC	RC
Kushairi Bin Zaidel	Non-executive chairman and independent director	5 Nov 2012	31 Oct 2016	Member	Chairman	Member
Seet Chor Hoon	Independent director	15 Aug 2014	31 Oct 2017	Member	Member	Chairman
Ong Chin Chuan	Independent director	30 Jun 2015	29 Oct 2015	Chairman	Member	Member
Ong Sing Huat	Non-executive non-independent director	2 Nov 2015	31 Oct 2016	N.A.	Member	Member
Charles Madhavan	Non-executive non-independent director	2 April 2018	N.A.	N.A.	N.A.	N.A.

There is a strong independent element on the Board with more than half of the Board made up of directors who are independent of the Management. The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence.

Guideline 2.2 of the Code

The Board has sought and obtained, on an annually basis, written confirmations from each of the current independent directors that, apart from their office as Directors of the Company, none of them has, *inter alia*, any other relationship (business or otherwise), in the current or past three financial years, with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment with a view to the best interests of the Company.

Guideline 2.3 of the Code

CORPORATE GOVERNANCE REPORT

2. BOARD COMPOSITION AND GUIDANCE (Continued)

The NC has reviewed, and recommended to the Board, the written confirmations completed by each independent directors and is satisfied that the current Board, with independent directors making up three-quarters of the Board, has a strong and independent element to exercise objective judgment on corporate affairs.

None of the directors have served beyond nine years on the Board. *Guidelines 2.4 of the Code*

There is adequate relevant competence on the part of the Directors, who, as a group, carry an appropriate mix of diversity of skills, gender, and experience in areas namely, accounting and finance, business and management, legal and corporate governance aspects. The inclusion of a female independent director also enhances the depth of expertise of the Board. Details of the academic, professional qualifications and experience of the Board can be found in the write-up on the 'Board of Directors' section of the Annual Report. *Guidelines 2.6 of the Code*

The Board has reviewed its present size and composition and is of the view that it is appropriate for effective deliberations and decision making, taking into account the scope and nature of operations of the Company, and the skills and knowledge of the Directors. *Guideline 2.5 of the Code*

Although all the directors have an equal responsibility for the Group's operations, the role of non-executive directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and taking into account the long-term interests, not only of the shareholders but also of employees, customers, suppliers and the many communities in which the Group conducts business. *Guideline 2.7 of the Code*

The non-executive directors of the Company help to develop proposals on strategy and also review the performance of the Management in meeting agreed on goals and objectives. The non-executive directors are also encouraged to meet regularly without the Management being present. *Guideline 2.8 of the Code*

CORPORATE GOVERNANCE REPORT

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO")

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The position of Non-Executive Chairman ("**Chairman**"), Mr Kushairi Zaidel ("**Mr. Zaidel**") and the CEO, Mr Luke Ho Khee Yong ("**Luke Ho**"), are held by two separate individuals to maintain an appropriate balance of power or influence in the Group. There is also no relationship between the Chairman and CEO.

Guideline 3.1 of the Code

The roles of the Chairman and the CEO are separate and distinct, each having his own areas of responsibilities. The Chairman is responsible for leading the Board and facilitating its effectiveness while the CEO is responsible for the conduct of the Group's daily business operations including strategic planning and business development.

Role of the Chairman

Guideline 3.2 of the Code

The Chairman's responsibilities include, *inter alia*, the following:

- lead the Board to ensure its effectiveness on all aspects of its role;
- schedule the meetings and setting the meeting agendas for the Board;
- ensure the smooth conduct of board meetings and monitoring the translation of the Board's decisions into executive action;
- review the Board papers prepared by the Management to ensure that complete and timely information are provided to the Board;
- promote and ensure high standards compliance with the Company's guidelines on corporate governance;
- ensure effective communication with shareholders through information posted on websites, announcements, general meetings, and investors relations management;
- promote constructive relations within the Board and between the Board and Management;
- facilitate the effective contribution of non-executive directors; and
- encourage a culture of openness and debate at the Board and high standards of corporate governance.

CORPORATE GOVERNANCE REPORT

3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER ("CEO") (Continued)

Role of the Chairman (Continued)

Pursuant to Guideline 3.3 of the Code, the Company is not required to have a lead independent director. Therefore, no appointment of lead independent director was made. *Guideline 3.3 of the Code*

The independent directors meet among themselves where necessary and provide feedback to the Board and Management after such meetings, where appropriate. *Guideline 3.4 of the Code*

4. BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Nominating Committee ("**NC**") comprises the following four members, of whom three are independent directors: *Guideline 4.1 of the Code*

- Mr. Kushairi Bin Zaidel (Chairman)
- Ms. Seet Chor Hoon (Member)
- Mr. Ong Chin Chuan (Member)
- Mr. Ong Sing Huat (Member)

The chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company. In accordance with the requirements of the Code, the chairman of the NC is independent.

When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC will be responsible for nominating the new Director.

The NC has adopted specific terms of reference and its principal functions are as follows: *Guideline 4.2 of the Code*

- ➢ identify suitable candidates and review all nominations on appointments and re-appointment of Directors, having regard to the Director's contribution and performance including making recommendations on the composition of the Board and the balance between executive and non-executive directors appointed to the Board;
- ➢ review the Board structure, size, and composition annually;
- ➢ determine the independence of directors annually, guided by the independent guidelines contained in the Code;

CORPORATE GOVERNANCE REPORT

4. BOARD MEMBERSHIP (Continued)

- review and decide if a director, who has multiple board representations, is able to and has been adequately carrying out his/her duties as a director of the Company;
- review of board succession plans for Directors, in particular, the Chairman and for the CEO;
- develop a process for evaluation of the performance of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board; and
- review and recommend training seminars and professional development programs for the Board.

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the chairman of the NC.

All directors shall submit themselves for re-nomination and re-election at regular intervals and at least once every three years. The NC, in recommending the nomination of any director for re-election and/or re-appointment, considers the contribution of the Director, based on, *inter alia*, his/her attendance record, overall participation, expertise, strategic vision, business judgement and sense of accountability.

Guideline 4.6 of the Code

The Company practices a formal process for the selection and appointment of key executive officers and new directors to the Board. In the nomination and selection process, the NC reviews the composition of the Board by taking into consideration the mix of expertise, skills, and attributes of existing Board members, so as to identify desirable competencies for a particular appointment. In so doing, it strives to source for candidates who possess the skills and experience that will further strengthen the Board. The search for a suitable candidate could be drawn from contacts and network of existing Directors or recommendation for the purposes of identifying the right candidates for appointment to the Board.

The Board and the NC have made several assessments on the appointment and role of the CEO, the management structure, the segregation of duties of the Management and the corporate governance of the Group.

The Management has also sought the active participation and support of the Board in matters of the Group. The independent directors of the Company have been invited to be concurrently appointed as non-executive directors of the major and operating subsidiaries, namely, Mr. Zaidel who is appointed as a non-executive director of MEG Global Resources Limited and MEG Management Sdn Bhd. and Ms. Seet Chor Hoon ("**Ms. Seet**"), who is appointed as a non-executive director of Mid-Continent Equipment Group Pte Ltd. ("**Midcon**"), so as to enable the independent board to have first-hand, unfettered access and direct contact with the top management and board of the respective major subsidiaries. These independent directors also attend board meetings of these subsidiaries so they have a strong understanding of the relevant businesses.

CORPORATE GOVERNANCE REPORT

4. BOARD MEMBERSHIP (Continued)

The Company does not have alternate directors. *Guideline 4.5 of the Code.*

The Board noted that Mr. Ho has been notified in the course of the investigations by the Commercial Affairs Department ("**CAD**") that there have arisen reasonable grounds to believe he has committed an offence under Section 197 of the Securities and Futures Act, Chapter 289 on false trading and market rigging on or about April 2014. To date, no other updates have been provided by the CAD or any other enforcement agency.

Pending the results of the said investigations or further updates on the same, Mr. Ho shall remain as CEO of the Company. The Board will continue to assess Mr. Ho's suitability for his role as CEO and will also look into succession planning in the Company and identify potential executives and management as well.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the skills, experience, knowledge and expertise critical to the Group's businesses and each Director, through his/her contributions, brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made.

Board appointments are made by way of a board resolution after the NC has, upon reviewing the resume of the proposed director and conducting appropriate interviews, recommended such appointment to the Board. Pursuant to the Constitution of the Company, all newly appointed Directors who are appointed by the Board are required to retire and subject to election by shareholders at the Annual General Meeting (the "**AGM**") at the first opportunity after their appointment.

Under Regulation 83 of the Company's Constitution, newly appointed directors would be required to retire from the office at the next following general meeting and submit themselves for re-nomination and re-election.

Mr Charles Madhavan shall retire pursuant to Regulation 83 of the Company's Constitution, and who, being eligible, offers himself for re-election at the forthcoming AGM.

Regulation 101(1) of the Company's Constitution requires that one-third of the directors retire by rotation at every AGM.

Mr Ong Chin Chuan shall retire pursuant to Regulation 101(1) and who, being eligible, offers himself for re-election at the forthcoming AGM.

Details of the directors' academic and professional qualifications, interests in the Group, committees served, and directorships are disclosed in the Annual Report to enable shareholders to make informed decisions. Key information regarding the Directors is given in the 'Board of Directors' section of the Annual Report. Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations are set out in the Directors' Statement. *Guideline 4.7 of the Code*

CORPORATE GOVERNANCE REPORT

4. BOARD MEMBERSHIP (Continued)

The independent directors have declared their independence for the FY2018, in accordance with the revised independent Guideline 2.3 contained in the Code. Following its annual review, the NC has considered the independence status of Mr. Zaidel, Ms. Seet, and Mr. Ong Chin Chuan.

Guideline 4.3 of the Code

The Directors are not related to each other and none of the Directors' immediate family members were employees of the company or any of its related corporations or related to any Directors or directly associated with its 10% shareholder.

During the FY2018, the NC has reviewed and is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations. The NC and Board is satisfied that the Directors have adequately and satisfactorily discharge their duties. The Board is of view that there is presently no need to implement internal guidelines to address their competing time commitments in terms of setting the maximum number of listed company board representation for each Director.

Guideline 4.4 of the Code

The list of directorships or chairmanships held by Directors presently or in the preceding three years in other listed companies, and other principal commitments are set out in the table below:

Name of directors	Date of appointment of directorship/ principal commitment	Directorships/principal commitments in other companies	
		Current	**Past 3 years**
Kushairi Bin Zaidel	6 January 2009	Kuantan Flour Mills Berhad[1]	–
Seet Chor Hoon	11 August 2011	Seedz Pte. Ltd.[2]	–
Ong Chin Chuan	16 November 2015	Singer (Malaysia) Sdn Bhd	Secure Parking Corporation Sdn Bhd
Ong Sing Huat	16 September 2011	Robert Wang & Woo LLP	–
Charles Madhavan	21 June 2017 18 April 2016 13 April 2016 8 March 2016 9 January 2015 6 June 2000	1. Blue Water Asia Pacific Group Ltd (BVI) 2. Palau Energy Pte. Ltd. 3. Idola Cakrawala International Pte. Ltd. 4. White & Brown Holdings Pte. Ltd. 5. Blue Water O&G Pte. Ltd. 6. Blue Water Engineering Pte Ltd	1. International Investments Technology Pte. Ltd. 2. GSS Energy Limited 3. Nusantara Resources Pte. Ltd. 4. Cepu Satki Energy Pte. Ltd.

Notes:

(1) Listed on Bursa Malaysia

(2) Dormant since June 2018

CORPORATE GOVERNANCE REPORT

5. BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committee and the contribution by each director to the effectiveness of the Board.

The NC is also responsible for deciding how the Board's performance may be evaluated and proposing objective performance criteria, subject to the Board's approval, which address how the Board has enhanced long-term shareholders' value.

The NC evaluates the Board based on the following review parameters, including:

Guideline 5.3 of the Code

- attendance at Board/committee meetings;
- participation at meetings;
- involvement in management;
- availability for consultation and advice, when required;
- independence of the Directors; and
- appropriate skill, experience and expertise.

In line with the principles of good corporate governance, the NC had implemented and continued with an annual performance evaluation for assessing the effectiveness of the Board as a whole, by means of performance appraisal that evaluates the Board size, the right balance and mix of skills and experience and other qualities and qualifications, including core competencies, to the Group. The NC will take into consideration the recommendation under the Code to have a separate assessment of the contribution by each individual director to the effectiveness of the Board to be evaluated individually.

Guidelines 5.1 and 5.2 of the Code

Each director is required to individually complete a Board Evaluation Form ("**BEF**") annually, to facilitate the NC in its assessment of the overall effectiveness of the Board. Through the BEF, feedback is collated from the Board on various aspects of the Board's performance, including the Board's composition, the contributions of the board members, board's access to information, board processes, strategic review, and performance of CEO and succession planning.

The NC reviews the feedback collated from the BEF and recommends the steps which need to be taken to strengthen the Board's stewardship.

The NC may act on the results of the performance evaluation, and where appropriate, propose new members to be appointed to the Board or seek the resignation of Directors.

No external facilitator has been appointed to facilitate the assessment process.

CORPORATE GOVERNANCE REPORT

6. ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors are entitled to request from Management and should be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner. Directors have separate and independent access to the Company's senior management and the company secretary and/or the deputy company secretary.

Guideline 6.1 of the Code

The Board is provided with agendas and detailed board papers before each Board and Board Committee meeting, giving the background, explanatory information and justification for each decision and mandate sought by the Management, including, where applicable, pertinent financial, business and corporate matters of the Group to enable them to be properly informed of matters to be discussed and/or approved. Any material variation between projections and actual results shall be duly communicated to the Board.

Guideline 6.2 of the Code

Directors have full access to the Company's records and information and may seek independent legal and other professional advice, if they deem necessary, in the furtherance of their duties. Such expenses are borne by the Company.

Guideline 6.5 of the Code

The company secretary and/or the deputy company secretary attends and prepares all Board and Board Committees meetings. In addition, the company secretary and/or the deputy company secretary assists the Chairman in ensuring board procedures are followed and that applicable rules and regulations, including, the Company's Constitution, requirements of the Singapore Companies Act, Chapter 50 (the "**Act**"), and the provisions in Section B: Rules of Catalist of the Listing Manual of the SGX-ST (the "**Catalist Rules**") are complied with.

Guideline 6.3 of the Code

The appointment and removal of the company secretary and/or deputy company secretary are subject to the approval of the Board as a whole.

Guideline 6.4 of the Code

CORPORATE GOVERNANCE REPORT

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his/her own remuneration.

The RC comprises the following four members, of whom three are independent directors:

Guideline 7.1 of the Code

- Ms. Seet Chor Hoon (Chairman)
- Mr. Kushairi Bin Zaidel (Member)
- Mr. Ong Chin Chuan (Member)
- Mr. Ong Sing Huat (Member)

The RC has adopted specific terms of reference and its principal functions are as follows:

Guideline 7.2 of the Code

- review and recommend to the Board a framework of remuneration for directors and key executives. The RC's recommendations are made in consultation with the Chairman and submitted for endorsement by the entire Board. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind;
- determine the specific remuneration packages for each key executive based on performance, service seniority, experience and scope of responsibility;
- review and recommend to the Board the terms of service agreements of the directors;
- recommend the fees payable to non-executive directors based on the level of responsibilities undertaken by them; and
- administrate the Magnus Energy Employee Share Option Plan (the "**Magnus Energy ESOP**") and the Magnus Energy Performance Share Plan (the "**Magnus Energy PSP**").

The members of the RC shall ensure that each director is not involved in deciding his/her own remuneration.

The RC may seek independent professional advice if the committee deems it necessary to properly discharge their responsibilities. Such expenses are borne by the Company. No external facilitator had been engaged by the Board for advice and remuneration matters for FY2018.

Guideline 7.3 of the Code

The RC reviews the company's obligations arising in the event of termination of the key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Guideline 7.4 of the Code

CORPORATE GOVERNANCE REPORT

8. LEVEL AND MIX OF REMUNERATION

Principle 8: The level and structure of remuneration should be aligned with the long-term interests and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

The RC meets at least once a year. Additional meetings are scheduled if considered necessary by the chairman of the RC. The RC will review annually all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses and benefits in kind to ensure that the remuneration packages are appropriate in attracting, retaining and motivating the Management and the Directors so that they may be capable of meeting the Company's objectives and to ensure that it reflects their duties and responsibilities.

Guideline 8.3 of the Code

The non-executive and independent Directors are paid yearly Directors' fees and additional fees for serving as chairman on each of the Board Committees, which are determined by the Board, appropriate to the level of contribution, taking into factors such as the effort and time spent and the responsibilities of the directors. The independent directors shall not be over-compensated to the extent their independence may be compromised. These fees are subject to shareholders' approval at each AGM of the Company.

Guideline 8.1 of the Code

The Company has entered into a service agreement with the CEO on such terms and conditions offered by the Company that has an appropriate notice period and does not contain onerous removal clauses. The Board has reviewed and considered the service agreement to be appropriate prior to the implementation of the service agreement.

In setting remuneration packages, the RC ensures that the Directors and key management personnel are adequately but not excessively remunerated as compared within the industry norms, taking into account the contribution and performance of each Director as well as the financial needs and performance of the Company. The performance of the CEO (together with other key management personnel) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and the time horizon of risks. The performance-related elements of remuneration are aligned with the interests of shareholders and promote long-term success of the Company. The remuneration for key management personnel comprises a basic salary component and a variable component, namely, annual bonus and the share awards under the Magnus Energy ESOP and the Magnus Energy PSP. The latter is based on the performance of the Group as a whole and individual performance.

Guideline 8.2 of the Code

The Company has implemented Magnus Energy ESOP and Magnus Energy PSP as part of a compensation plan for attracting as well as promoting long-term employee retention, and to motivate them towards better performance through dedication and loyalty. These long-term incentive plans shall also create performance-related elements of remuneration designed to align interests of executive directors and key management personnel with those of shareholders and link rewards to corporate and individual performance. Details of the share awards are set out in the Directors' Statement.

Guideline 8.4 of the Code

CORPORATE GOVERNANCE REPORT

8. **LEVEL AND MIX OF REMUNERATION** (Continued)

The grants of share awards are vested over a period of time through a prescribed vesting schedule. The Company does not have contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

The Company may consider the said contractual provisions to be included in future renewals of service agreement as recommended by the Code. Save as aforesaid, the Company reserves the rights to employ legal recourse should any Director and/or key management personnel willfully and negligently engage in any misconduct.

9. **DISCLOSURE ON REMUNERATION**

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

A breakdown, showing the level and mix of each individual directors' remuneration for FY2018 is set out below:

Remuneration band and name of Directors	Salaries	Bonus	Director fees	Share Award	Other benefits	Total
	%	%	%	%	%	%
Directors – Below $250,000						
Kushairi Bin Zaidel	–	–	100	–	–	100
Seet Chor Hoon	–	–	100	–	–	100
Ong Chin Chuan	–	–	100	–	–	100
Ong Sing Huat	–	–	100	–	–	100
Charles Madhavan	100	–	–	–	–	100

CORPORATE GOVERNANCE REPORT

9. DISCLOSURE ON REMUNERATION (Continued)

A breakdown, showing the remuneration band of the top executives of the Group for FY2018 set out below:

Remuneration band and name of key executive	Salaries	Bonus	Director fees	Share Award	Other benefits	Total
	%	%	%	%	%	%
S$250,001 to below S$500,000						
Luke Ho	62.7	20.2	13.2	–	3.9	100
Below S$250,000						
Maung Thein Htike	87.1	12.9	–	–	–	100
Jason Ong Wie	100	–	–	–	–	100
Tan Yew Meng	68.2	21.8	8.3	–	1.7	100
Tay Kheng Hwee	100	–	–	–	–	100

Guideline 9.1 to 9.3 of the Code

Directors and key executives' remuneration packages are a competitive advantage of the Group. The Board is aware of and supports the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each individual director, the CEO and the Group's key management personnel (who are not directors or CEO) is not in the best interest of the Company and therefore shareholders. The Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the competitive business environment the Group operates in and the irrevocable negative impact such disclosure may have on the Group. In view of these, the Company has chosen to make disclosure in relation thereto in bands of S$250,000 with a breakdown in percentage terms of base salary, bonus, director fees, share awards granted and other benefits. The Company is of view that such disclosures would provide adequate information on the remuneration policies and practice for Directors and key executives. The aggregate remuneration paid to the directors and the CEO was approximately S$0.7 million. The aggregate remuneration paid to the Group's key management personnel (who are not directors or the CEO) was approximately S$0.5 million.

There is no amount of any termination, retirement and post-employment benefits that may be granted to Directors, and top executives. The Directors and senior executives are paid based on a fixed schedule of fees and salary respectively.

The RC has reviewed and approved the remuneration packages of the directors and key management, having due regard to their contributions as well as the financial needs of the Company.

CORPORATE GOVERNANCE REPORT

9. DISCLOSURE ON REMUNERATION (Continued)

Subject to approval by shareholders at the forthcoming AGM, the RC has recommended that the non-executive directors be paid an aggregate fees of S$134,975 for the financial year ended 30 June 2018 and an estimated fee of S$135,175 for the financial year ending 30 June 2019, to be paid quarterly arrears, will be tabled at the AGM for approval by the shareholders.

During the year under review, there were no employees whose remuneration exceeded S$50,000 who was related to a Director or the CEO of the Company. *Guideline 9.4 of the Code*

Long-term incentive schemes are provided in the form of Magnus Energy ESOP and Magnus Energy PSP for eligible employees, including Directors of the Company and the Group. Details of Magnus Energy ESOP and Magnus Energy PSP are disclosed in the Report of the Directors. *Guideline 9.5 of the Code*

In FY2018, no share awards (the "**Awards**") have been granted to all the Directors and employees of the Company in accordance to the Magnus Energy PSP. *Guideline 9.6 of the Code*

10. ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position, and prospects.

The Board is accountable to the shareholders while the Management is accountable to the Board. To maintain the shareholders' confidence and trust in the Board's integrity, the Board believes in timely fulfilment of statutory reporting requirements. The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the Catalist Rules. *Guideline 10.1 of the Code*

The Management provides all members of the Board in a meeting with detailed management accounts of the Group's performance, financial position and prospects on a quarterly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment.

The Management also presents to the Board the quarterly and full year financial results of the Group and the AC reports for review and approval for the release of the results to the SGX-ST. *Guideline 10.3 of the Code*

Periodic financial statements, as well as announcements, on business and other significant corporate developments and activities of the Group are made via SGXNET to keep shareholders informed about the Group's financial position and its progress. The Company imposes a trading embargo on its Directors and employees from trading in its securities for the period of two weeks prior to the announcement of its quarterly results; and a period of one month prior to the announcement of the financial year end results. Directors and employees are advised to observe the insider trading laws; and to avoid dealing in the Company's securities for short-term considerations. *Guideline 10.2 of the Code*

CORPORATE GOVERNANCE REPORT

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

Principle 12: The Board should establish an AC with written terms of reference which clearly set out its authority and duties.

Principle 13: The Company should establish an internal audit function that is independent of the activities it audits.

Risk Management and Internal Control

Guideline 11.1 of the Code

The Company's external auditors conduct an annual review, in accordance with their audit plan, of the effectiveness of the Company's material internal controls, including financial, operational and compliance, information technology controls and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the external auditors in this respect, where necessary.

In the financial year ended 30 June 2014, the Board further noted that the Company and certain of its subsidiaries have received notices on 2 April 2014 and 29 April 2014 from the CAD to provide assistance to the CAD's investigations into an offence under the Securities and Futures Act, Chapter 289. The CAD had requested for access to, all corporate electronic data, information technology equipment and data storage devices and all other relevant documents from 1 January 2011 to the date of the notices. To date, the CAD has not provided any further information on their investigations or on the alleged offences nor has any updates on the investigations been received by the Company or the Board.

The Board is not aware of any offence having been committed. The business and operations of the Company are not affected by the investigations and will continue as normal. The Company will monitor the progress of the investigation and will make prompt notifications and announcements to our shareholders as required.

Guideline 11.2 of the Code

Save in relation to the above investigations, based on the reports of the external auditors and internal auditors and assurance by the Management, the Board, with the concurrence of AC, is of the opinion that the system of internal controls maintained by the Company are adequate in addressing the financial, operational, compliance, information technology controls and risk management throughout the financial year and up to the date of this report.

CORPORATE GOVERNANCE REPORT

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT (Continued)

Risk Management and Internal Control (Continued)

The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, human error losses, fraud or other irregularities. However, other procedures, policies, guidelines and compliance regulations, as discussed in the management letter issued by the external auditors, are in place to mitigate any possible and/or suspected irregularities. Save in relation to the abovementioned investigations, nothing has come to the attention of the AC and/or Board of any deficiency and/or dysfunction of the internal control implementation that has resulted in any significant loss and/or material financial misstatement.

Guideline 11.3 of the Code

The Board determines the company's levels of risk tolerance and risk policies and oversees Management in the design, implementation, and monitoring of the risk management and internal control systems.

The CEO and financial controller ("**FC**") have provided assurance to the Board:

SGX Listing Rule 1207 (10).

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and

(b) that the Company's risk management and internal control systems in place are adequate in addressing the financial, operational, compliance, information technology controls and risk management throughout the financial year and up to the date of this report.

The Company has put in place a risk management policy and has appointed Messrs Deloitte & Touche Enterprise Risk Services Pte Ltd as its internal auditors for the Group to assist Management to continuously monitor and evaluate the risk management processes, related policies and procedures. The Company has established a rolling 3-year risk-based internal audit plan based on the findings of a risk assessment exercise carried out during the FY2015 as well as its business operations focusing on high-risk business cycles and entities. The internal auditors focused on Midcon for the financial year ended 30 June 2018.

Guideline 11.4 of the Code

CORPORATE GOVERNANCE REPORT

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT (Continued)

Audit Committee ("**AC**")

The AC reviews the adequacy and effectiveness of the internal audit strategy annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Group in accordance with the Code.

The AC comprises the following three members, all of whom are independent directors:–

Guideline 12.1 of the Code

- Mr. Ong Chin Chuan (Chairman)
- Mr. Kushairi Bin Zaidel (Member)
- Ms. Seet Chor Hoon (Member)

Two members of the AC have professional and in-depth experiences in the field of financial management and accounting. As certified public accountants in their respective jurisdiction, the AC members would have received update by their respective association and professional affiliations.

Guideline 12.2 of the Code

AC members have been encouraged to attend training and seminars to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements and corporate governance. The Board is of the view that AC members have sufficient accounting and financial management expertise and experience to discharge the AC's responsibilities.

The AC meets at least four times a year. Additional meetings are scheduled if considered necessary by the chairman of the AC. During the financial year ended 30 June 2018, the AC met with the external auditors twice, of which one of the meetings is without the presence of the Management. The AC also met with the internal auditors once for the financial year ended 30 June 2018.

Guideline 12.5 of the Code

The AC carried out its functions in accordance with Section 201B(5) of the Act and the Catalist Rules.

The functions of the AC are as follows:–

Guideline 12.4 of the Code

- review significant financial reporting issues and opinions to ensure integrity of the Company's financial statements and any announcements relating to the Company's financial performance;
- review the quarterly and full year financial statements and the auditor's report on the annual financial statements of the Company and of the Group before submission to the Board, and before announcement;

CORPORATE GOVERNANCE REPORT

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT (Continued)

Audit Committee ("**AC**") (Continued)

- review the audit plans, scope, and feedback of the external auditors of the Company and ensure adequacy of the Group's system of internal accounting controls and the co-operation given by the Management to the external auditors;

- review, with the internal auditors, the internal audit plan, the scope and results of the internal audit function, and ensuring co-ordination between the internal auditors and the Management;

- review the auditors' evaluation of the system of internal controls, the results of the audit and Management's response and actions to correct any noted deficiencies, to discuss problems and concerns arising from their audits or any other matters which the auditors might wish to discuss privately with the AC;

- review any formal announcements relating to the Company's financial performance in addition to the quarterly and full year financial statements compliance;

- review the assistance given by the Group's officer to the auditors and discuss any concerns if any with the external auditors and the internal auditors in the absence of Management;

- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

- review and report to the Board the adequacy and effectiveness of the Group's internal controls on an annual basis, including financial, operational, information technology controls, compliance, and risk management;

- review the independence and objectivity of the external auditors annually and recommend the external auditors to be nominated for re-appointment, or removal of the external auditor, and approve the compensation of the external auditors; and

- review interested person transactions.

Apart from the duties listed above, the AC also has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company. The AC has full access to, and the co-operation of, Management and has full discretion to invite any director or officer to attend its meetings and has been given reasonable resources to enable it to discharge its functions properly.

Guideline 12.3 of the Code

CORPORATE GOVERNANCE REPORT

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT (Continued)

Whistle Blowing

Guideline 12.7 of the Code

The AC reviews any reports by which staff of the Company, or any other officers, may, in confidence, raise concerns about possible and/or suspected fraud, irregularities, corruption, dishonest practices and/or improprieties in matters of financial reporting or any matters affecting the Group. The AC's objectives are to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action and resolution.

The Group has implemented an internal whistle blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from victimisation for whistle blowing in good faith. As of to-date, there were no reports received from employees through the whistle blowing system.

External parties can report incidents of actual or suspected fraud, corruption or other forms of unethical conduct to the AC chairman, Mr Ong Chin Chuan at his email at john.ong@magnusenergy.com.sg or via our website using the online Whistleblowing Report form. The completed online form will be emailed directly to the AC Chairman.

The Group encourages employees and external parties to put their names to their allegations whenever possible. Reports made anonymously are difficult to act upon effectively although they will be considered, taking into account the seriousness and credibility of the issues raised, the likelihood of confirming the allegation from the sources, and information provided by the whistleblower. All concerns or irregularities raised will be treated with confidence and effort will be made to ensure that confidentiality is maintained throughout the process.

The Group understands that there are times when a person makes a report in good faith which later proves to be unsubstantiated. However, actions may be taken against those who deliberately and/or maliciously provide false or misleading information against someone else. The Group reserves the right to refer any concerns or complaints to appropriate external regulatory authorities.

CORPORATE GOVERNANCE REPORT

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT (Continued)

External Audit

The AC has noted that there was no non-audit service provided by the external auditors during the year under review, and is of the opinion that the external auditors' independence has not been compromised. The total amount of audit fees paid to the external auditors during the year under review was approximately S$0.21 million.

Guideline 12.6 of the Code

The AC is satisfied with the independence and objectivity of the external auditors and has recommended the re-appointment of Messrs Moore Stephens LLP as external auditors of the Company for the ensuing financial year.

During the financial year, the AC has performed its duties as guided by the terms of reference as well as Guideline 12.4 of the Code which sets out its principal functions. The primary role of the AC is to assist the Board in ensuring the integrity of the Group's financial reporting system and that an adequate and effective internal control system is in place. The AC reviewed the audit plans, discussed regulatory compliance matters and accounting implications of any major transactions including significant financial reporting issues. The AC also assessed the internal audit functions to ensure its adequacy and effectiveness.

Guideline 12.8 of the Code

On a quarterly basis, the AC reviewed the interested person transactions and the financial results announcements before the announcement of the Group's quarterly and full-year results. The AC is kept abreast by the Management and the external auditors of changes to the financial reporting standards, Listing Rules of the SGX-ST and other codes and regulations which could have an impact on the Group's financial statements. Directors and the Management are also invited to attend relevant seminars on changes to accounting standards and issues conducted by leading accounting firms.

The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have an impact on the financial statements before an audit commences. During the financial year ended 30 June 2018, the changes in accounting standards did not have any significant impact on the Company's financial statements.

No former partner or director of the Company's existing audit firm or auditing corporation is a member of the AC.

Guideline 12.9 of the Code

Below is significant subsidiary that has appointed other firm as auditor:

Name of subsidiaries	Name of audit firm
Mid-Continent Equipment, Inc.	LaPorte CPA's and Business Advisors

CORPORATE GOVERNANCE REPORT

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT (Continued)

External Audit (Continued)

The AC has reviewed and is satisfied that the appointments of different auditors would not compromise the standard and effectiveness of the audit of the Company as measures have been put in place to ensure that timely and periodic reports of the operations and financial statements of the above subsidiary is provided to the Company and/or the Company's auditors.

The Company's auditors are also at liberty to seek information from the other auditors as and when necessary and from time to time. The Company confirms that Rule 712, Rule 715 and Rule 716 of the Catalist Rules have been complied with.

Internal Audit

The AC approves the hiring, removal, evaluation and compensation of the Internal Auditors ("**IA**"). The internal audit function of the Company is outsourced to Deloitte & Touche Enterprise Risk Services Pte Ltd. The IA reports primarily to the Chairman of the AC and administratively to the CEO/FC. The IA has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

Guideline 13.1 of the Code

The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

Guideline 13.3 of the Code

The Board is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The IA conduct audits that involve testing the effectiveness of the material internal control systems within the Group, relating to financial, operational and compliance risks. Any material noncompliance or lapses in internal controls are reported to the AC, including the remedial measures recommended to address the risks identified. The AC also reviews the adequacy and timeliness of the actions taken by Management in response to the recommendations made. The AC is satisfied that the internal audit function is adequately resourced to perform its function effectively.

Guideline 13.2 of the Code

Where a process oriented internal audit is conducted, the IA will perform its audit and issue a report on the results of the internal audit work summarising their findings and recommendations to the Management and report directly to the chairman of the AC in accordance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC oversees and monitors management's response on the implementation to their findings to ensure that appropriate follow-up measures are taken.

Guideline 13.4 of the Code

The AC reviews the internal audit plan, the scope and results of the internal audit function annually and is satisfied with its adequacy and effectiveness.

Guideline 13.5 of the Code

CORPORATE GOVERNANCE REPORT

12. COMMUNICATION WITH SHAREHOLDERS & SHAREHOLDER PARTICIPATION

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

Shareholders' Rights

The Company believes that prompt disclosure of relevant information and a high standard of disclosure are the keys to raising the level of corporate governance. The Board believes in regular and timely communication with our shareholders. In line with continuous disclosure obligations of the Company pursuant to the provisions of the Catalist Rules and the Act, the Company's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group.

Guideline 14.1 of the Code

Shareholders are informed of general meetings through notices published in the newspapers, or sent to shareholders, reports and circulars are published on the Company's website. The Company encourages shareholders' participation at its general meetings. Shareholders are able to engage the Board and the Management on the Group's business activities and other matters during the general meetings. Resolutions are passed through a process of voting. Shareholders are entitled to vote in accordance to the voting rules and procedure.

Guideline 14.2 of the Code

The Constitution provides that a member may appoint not more than two (2) proxies to attend and vote at general meetings in his/her stead. For shareholders who hold shares through nominees such as Central Provident Fund Investment and/or the Supplementary Retirement Scheme (as may be applicable), and custodian banks, they are able to attend and vote at general meetings under the multiple proxy regimes under the new Constitution.

Guideline 14.3 of the Code

Communication with Shareholders

The Board adopts the practice of regular communication of information to shareholders through SGXNET and press releases. All announcements and annual reports of the Company are available on the Company's website at www.magnusenergy.com.sg. Shareholders may also send their queries to the Company via the Company's website. The Company sends the notice of AGM to all shareholders of the Company within the mandatory period. Notices of general meetings are also released on SGXNET and published in a Singapore newspaper to inform shareholders of upcoming meetings. There are new changes in the Catalist Rules with effect from 31 March 2017, which enable issuers to dispatch notices, circulars and annual reports using electronic communications if there is express consent from shareholder.

Guideline 15.1 and 15.2 of the Code

CORPORATE GOVERNANCE REPORT

12. COMMUNICATION WITH SHAREHOLDERS & SHAREHOLDER PARTICIPATION (Continued)

Communication with Shareholders (Continued)

In line with the aforesaid change, the Company have ceased the printing and sending of physical annual reports to shareholders since the previous financial year. Shareholders would be able to download the annual reports from the website. For shareholders who would still prefer a physical copy of the annual report, they may request for a copy to be mailed to them via the feedback form on the website www.magnusenergy.com.sg.

The Company provides a feedback form and contact details on its website at www.magnusenergy.com.sg. During the financial year ended 30 June 2018, the Company received a few phone enquiries from shareholders and investors which were attended to promptly.

Guideline 15.3 and 15.4 of the Code

Dividend Policy

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, capital requirements, financial position, results of the investments, expansion plans and other factors. For the financial year ended 30 June 2018, the Company is not in an accumulated profit position to declare any dividend and has not recommended any dividend payment thus far.

Guideline 15.5 of the Code

Conduct of Shareholder Meetings

The AGM is the principal forum for dialogue with shareholders. At the AGM, shareholders are given the opportunity to opine their views and query the directors or the Management on matters regarding the Company. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. Chairman of the NC, RC and AC will be present to answer any questions relating to the work of their respective committees. The external auditors are also present to assist the Directors in addressing any relevant queries on the accounts from the shareholders. Notwithstanding that the Company has made provisions in its Constitution to provide for voting in absentia, the Company has decided that, for the time being, not to implement voting in absentia and by electronic means due to security and integrity concerns.

Guideline 16.1 and 16.3 of the Code

At the AGMs and other general meetings, separate resolutions are proposed for substantially separate issues and for items of special business. Where appropriate, an explanation for any proposed resolution would be provided.

Guideline 16.2 of the Code

The Company prepares minutes of general meetings that include substantial and relevant comments and/or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management. These minutes will be available to shareholders upon their request.

Guideline 16.4 of the Code

In accordance with the Code, the Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

Guideline 16.5 of the Code

CORPORATE GOVERNANCE REPORT

13. OTHER CORPORATE GOVERNANCE MATTERS

INTERESTED PERSONS TRANSACTIONS

The Company has in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested persons transactions are subject to review by the AC. During FY2018, there was no interested person transaction exceeding S$100,000 as set out in Chapter 9 of the Catalist Rules.

MATERIAL CONTRACTS [Catalist Rule 1204(8)]

There were no material contracts of the Company, or its subsidiaries involving the interests of any Director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of previous financial year.

RISK MANAGEMENT [Catalist Rule 1204(10)]

As the Company does not have a risk management committee, the AC and Management assume the responsibility of the risk management function. The Management reviews regularly the Company's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

DEALING IN SECURITIES [Catalist Rule 1204(19)]

In line with the internal compliance code, the Company has in place a policy prohibiting share dealings by Directors and officers of the Company and the Group while in possession of unpublished material or price-sensitive information during the "closed period", which is defined as two weeks and one month before the announcement of the Group's quarterly and full-year results respectively and ending on the date of the announcement of the relevant results. The company secretary and/or deputy company secretary will also send a memorandum prior to the commencement of each window period as a reminder to the directors, officers, and relevant employees to ensure that they comply with the code.

The directors and officers of the Group do not deal in the Company's securities on short-term considerations.

In addition, Directors and officers of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

CATALIST SPONSOR [Catalist Rule 1204(21)]

The Company is currently under the SGX-ST Catalist sponsor-supervision regime and Stamford Corporate Services Pte. Ltd. is the continuing sponsor of the Company during FY2018. There are no non-sponsor fees paid during FY2018.

CORPORATE GOVERNANCE REPORT

13. OTHER CORPORARE GOVERNANCE MATTERS (Continued)

USE OF PROCEEDS [Catalist Rule 1204(22)]

The Company had on 8 March 2018 entered into ten (10) placement agreements, pursuant to which the Company alloted and issue to the Placees, an aggregate of 1,310,000,000 new ordinary shares in the capital of the Company (the "Placement Shares") at the issue price of S$0.0009 per Placement Share. The aggregate cash consideration of S$1,179,000 was intended to be utilised in the following manner:

General working capital	20-50%
General working capital for the microalgae plant	50-80%

Utilisation of share placement as at 28 August 2018	**S$'000**
Microalgae oil cultivation facility in Malaysia[1]	640
General working capital	539
	1,179

(1) Please refer to the announcement "Microalgae oil cultivation facility in Malaysia" dated 22 June 2016.

MINERAL, OIL AND GAS ACTIVITIES [Catalist Rule 1204 (23)]

The rule is deemed as not applicable as the Group disposed its Coal Concession Rights during the disposal of APAC Coal Limited on 30 May 2018.

Midcon disposed its 20% working interest of PRL173 and PRL174 [(collectively known as "**PRLs**") and formerly known as PEL 101] held under Mid-Con Equipment (Australia) Pty Ltd, a wholly owned subsidiary of Midcon, on 31 July 2018. No production or revenue has been generated for FY2017 and FY2018.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

The directors present their statement to the members together with the audited consolidated financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2018 and the statement of financial position of the Company as at 30 June 2018.

We, Kushairi Bin Zaidel and Ong Chin Chuan, being two of the directors of Magnus Energy Group Ltd., do hereby state that, in the opinion of the directors,

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2018 and the financial performance, changes in equity and cash flows of the Group for the year then ended; and

(b) as at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

1 Directors

The directors of the Company in office at the date of this statement are:

Kushairi Bin Zaidel
Seet Chor Hoon
Ong Chin Chuan
Ong Sing Huat
Charles Madhavan (appointed on 2 April 2018)

2 Arrangements to Enable Directors to Acquire Shares or Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share Options and Share Awards" in this statement.

3 Directors' Interests in Shares or Debentures

As recorded in the register of directors' shareholdings kept under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), the following directors, holding office at the end of the financial year, had interests in shares of the Company or its related corporations, as stated below:

	Holdings registered in name of director		
Name of directors	**As at 1.7.2017**	**As at 30.6.2018**	**As at 21.7.2018**
	Number of ordinary shares		
The Company			
Kushairi Bin Zaidel	114,372,020	114,372,020	114,372,020
Seet Chor Hoon	69,063,300	169,063,300	169,063,300
Ong Chin Chuan	48,950,800	54,950,800	54,950,800
Ong Sing Huat	32,633,800	32,633,800	32,633,800

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 **Directors' Interests in Shares or Debentures** (Continued)

	Holdings in which a director is deemed to have an interest		
Name of directors	**As at 1.7.2017/ date of appointment if later**	**As at 30.6.2018**	**As at 21.7.2018**
	Number of ordinary shares		
The Company			
Charles Madhavan (appointed on 2 April 2018)	695,000,000	695,000,000	695,000,000

Except as disclosed in this statement, none of the directors holding office at the end of the financial year had interests in shares, options, awards or debentures of the Company or its related corporations either at the beginning or at the end of the financial year.

4 **Share Options and Share Awards**

(a) **Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP")**

Magnus Energy ESOP and Magnus Energy PSP (collectively referred to as the "Share Schemes") were approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") held on 31 October 2016.

The Remuneration Committee (the "RC") of the Company has been designated as the committee (the "Committee") responsible for the administration of the Share Schemes. The members of the RC are Seet Chor Hoon (Chairman), Kushairi Bin Zaidel, Ong Chin Chuan and Ong Sing Huat.

Under the Share Schemes, share options or share awards are granted to the following persons at the absolute discretion of the Committee:

(i) Group executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and

(ii) Non-executive directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the non-executive directors of the Company and Group executives and whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon the expiry of the prescribed vesting periods.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

4 Share Options and Share Awards (Continued)

(a) Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") (Continued)

For discounted share options, the exercise price of each granted share option is set at a discount to the market price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) percent of the market price. This market price is the volume-weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST. For non-discounted share options, the exercise price of each granted share option is set at market price or such higher price as may be determined by the RC in its absolute discretion.

No share options were granted under the Magnus Energy ESOP during the financial years ended 30 June 2018 and 2017. As at 30 June 2018 and 2017, there were no outstanding share options. There were also no discounted share options granted since the commencement of the scheme.

During the financial year ended 30 June 2018, no share awards have been granted under the Magnus Energy PSP.

Except as disclosed in this statement:

- no options to take up unissued shares of the Company or its related corporations have been granted during the financial year;
- no shares of the Company or its related corporations have been issued by virtue of the exercise of options to take up unissued shares during the financial year; and
- no unissued shares of the Company or its related corporations were under options at the end of the financial year.

5 Audit Committee

The members of the Audit Committee are:

Ong Chin Chuan, Chairman	(Independent Non-executive Director)
Kushairi Bin Zaidel, Member	(Independent Non-executive Director)
Seet Chor Hoon, Member	(Independent Non-executive Director)

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

5 Audit Committee (Continued)

The Audit Committee carried out its functions in accordance with the Singapore Companies Act, Chapter 50, the SGX-ST Listing Manual Section B: Rules of Catalist and the Code of Corporate Governance. In performing those functions, the Audit Committee *inter alia*:

(a) reviewed the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management;

(b) reviewed the audit plan of the Company's independent auditors and, if any, their report on the weaknesses of internal accounting control arising from their statutory audit;

(c) reviewed the assistance provided by the Group's officers to the independent auditors;

(d) reviewed interested party transactions for the financial year ended 30 June 2018 in accordance with Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist to satisfy themselves that the transactions are of normal commercial terms;

(e) reviewed the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2018 before their submission to the Board of Directors and the independent auditors' report on those financial statements;

(f) recommends to the Board of Directors the independent auditors to be nominated and approval of the compensation of the auditors and reviewed the scope of the audit; and

(g) undertakes such other functions and duties as may be required by statute.

The Audit Committee, having reviewed all services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. There was no non-audit service provided by the external auditors during the financial year under review.

Further details regarding the Audit Committee are disclosed in the Report on Corporate Governance in the Company's Annual Report.

The Audit Committee has recommended to the Board of Directors that the independent auditors, Moore Stephens LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

6 Independent Auditors

The independent auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

7 Other information required by the SGX-ST

In the previous financial year ended 30 June 2017, the Company entered into loan agreements with a director and a key management personnel of the Company for S$500,000 and S$150,000 respectively. The loans are unsecured, bear interest at 10% per annum and are repayable within 12 months. The outstanding loans as at 30 June 2018 of S$550,000 are further extended for a period of 12 months in the financial year ended 30 June 2018.

Except as disclosed above, there were no material contracts to which the Company or any subsidiary is a party and which involve controlling shareholders' and directors' interests and the chief executive officer (where applicable) subsisted at, or have been entered into, since the end of the previous financial year.

On behalf of the Board of Directors,

....

KUSHAIRI BIN ZAIDEL
Director

....

ONG CHIN CHUAN
Director

Singapore
4 October 2018

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

Report on the audit of the Financial Statements

Opinion

We have audited the financial statements of Magnus Energy Group Ltd. (the Company) and its subsidiaries (the Group), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2018, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
<u>Valuation of property, plant and equipment</u>	
We refer to Note 3 and Note 13 to the consolidated financial statements. The Group's largest property, plant and equipment is the microalgae oil plant in Selangor, Malaysia with a net book value of S$12.9 million as at 30 June 2018. As at the reporting date, the plant was still under construction. The determination of the recoverable amount of the microalgae oil plant involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the forecast sales. The forecast sales involve prices which are estimated based on prevailing market conditions and the outlook of the industry.	Our audit procedures focused on evaluating the key assumptions used by management in conducting the impairment review. We assessed the management's estimates applied in the value in use ("VIU") model based on our knowledge of the business and our understanding of the industry. This included obtaining an understanding of management's planned strategies, revenue growth and cost initiatives. We also performed a sensitivity analysis by changing the key assumptions used in the VIU calculations and assessed the impact to the recoverable amount of the microalgae oil plant. We found that the estimates and assumptions used in management's assessment of the VIU calculations to be relevant and reasonable based on available evidence.
<u>Valuation of other receivables</u>	
We refer to Note 3 and Note 22 to the consolidated financial statements. As at 30 June 2018, the Group has an outstanding loan receivable secured by a collateral agreement over a piece of land and certain housing units ("collaterals") of S$7.3 million. During the financial year, management recognised a full impairment loss of S$7.3 million. As at 30 June 2018, the Group has an outstanding receivable which relate to the proceeds from the disposal of quoted securities of S$2.1 million. Management has assessed that no allowance for impairment of the other receivable is required.	During the financial year, management recognised a full impairment loss of S$7.3 million for the loan receivable because of the legal dispute over the collaterals. We have reviewed the legal opinion and evaluated management's assessment of the recoverability of the loan receivable. We have also evaluated and assessed the payment trend during the financial year for the outstanding receivable relating to the proceeds from the disposal of quoted securities. We found that management's assessment of the recoverability of the other receivables to be reasonable based on available evidence.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

Other Information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, 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.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditors' Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

Auditors' Responsibility for the Audit of the Financial Statements (Continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Neo Keng Jin.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
4 October 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 S$	2017 S$
Continuing operations			
Revenue	4	**18,941,346**	14,685,268
Cost of sales		**(15,969,875)**	(11,776,927)
Gross profit		**2,971,471**	2,908,341
Other operating income	5	**154,942**	1,764,462
Other operating expenses	5	**(8,176,781)**	(8,517,030)
Distribution and selling expenses	6	**(158,692)**	(218,129)
Administrative expenses	7	**(5,368,314)**	(7,563,643)
Finance income	9	**142,965**	602,709
Finance costs	10	**(92,407)**	(260,028)
Share of loss from joint ventures entities	16	**–**	(77,072)
Loss before income tax		**(10,526,816)**	(11,360,390)
Income tax	11	**(203,877)**	(109,520)
Loss for the year from continuing operations		**(10,730,693)**	(11,469,910)
Discontinued operations			
Loss for the year from discontinued operations	20(b)	**(4,598,094)**	(299,823)
Net loss for the year		**(15,328,787)**	(11,769,733)
Other comprehensive income/(loss), net of tax:			
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		**4,688,150**	1,552,478
Fair value gain/(loss) recognised in equity on revaluation of available-for-sale financial assets during the year		**38,491**	(6,024)
Deferred tax on fair value changes to available-for-sale financial assets		**(846)**	1,024
		4,725,795	1,547,478
Total comprehensive loss for the year		**(10,602,992)**	(10,222,255)
Net loss for the year attributable to:			
Equity holders of the Company		**(14,751,200)**	(7,707,628)
Non-controlling interests		**(577,587)**	(4,062,105)
		(15,328,787)	(11,769,733)
Total comprehensive loss for the year attributable to:			
Equity holders of the Company		**(9,906,000)**	(6,638,979)
Non-controlling interests		**(696,992)**	(3,583,276)
		(10,602,992)	(10,222,255)
Loss per share attributable to the equity holders of the Company (S$ cents)			
– Basic and diluted for continuing and discontinued operations	12	**(0.13)**	(0.10)
– Basic and diluted for continuing operations	12	**(0.09)**	(0.10)

The accompanying notes form an integral part of the financial statements

STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2018

	Note	Group 2018 S$	Group 2017 S$	Company 2018 S$	Company 2017 S$
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	**18,709,406**	17,184,043	**252,000**	311,860
Investments in subsidiaries	14	**–**	–	**13,475,473**	13,441,169
Investment in associated company	15	**–**	–	**–**	–
Investments in joint venture entities	16	**–**	628,325	**–**	–
Goodwill	17	**–**	–	**–**	–
Other intangible assets	18	**–**	–	**–**	–
Other financial assets	19	**672,505**	38,252	**637,591**	40
Deferred tax assets	11	**50,116**	241,423	**–**	–
Total Non-Current Assets		**19,432,027**	18,092,043	**14,365,064**	13,753,069
Current Assets					
Inventories	21	**2,018,805**	3,124,021	**–**	–
Trade and other receivables	22	**6,423,625**	13,058,524	**575,457**	5,391,243
Related parties balances	23	**225,600**	282,029	**13,713,500**	14,414,408
Cash and bank deposits	24	**6,064,201**	5,410,118	**130,670**	213,952
Fixed deposits	25	**2,612,104**	4,528,609	**304,055**	303,598
		17,344,335	26,403,301	**14,723,682**	20,323,201
Assets directly related to disposal group classified as held for sale	20(a)	**607,265**	1	**–**	730,107
Total Current Assets		**17,951,600**	26,403,302	**14,723,682**	21,053,308
Total Assets		**37,383,627**	44,495,345	**29,088,746**	34,806,377
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	26	**5,002,905**	3,749,191	**827,572**	588,602
Borrowings	28	**550,000**	1,450,000	**550,000**	1,450,000
Related parties balances	23	**17,855**	–	**–**	–
Finance lease obligations	29	**4,653**	9,076	**–**	–
Income tax liabilities		**–**	90,111	**–**	–
		5,575,413	5,298,378	**1,377,572**	2,038,602
Liabilities directly related to disposal group classified as held for sale	20(a)	**–**	–	**–**	217,938
Total Current Liabilities		**5,575,413**	5,298,378	**1,377,572**	2,256,540
Non-Current Liabilities					
Other payables	26	**–**	351,102	**–**	–
Finance lease obligations	29	**–**	4,652	**–**	–
Total Non-Current Liabilities		**–**	355,754	**–**	–
Total Liabilities		**5,575,413**	5,654,132	**1,377,572**	2,256,540
Equity					
Share capital	30	**148,781,865**	144,769,088	**148,781,865**	144,769,088
Reserves	31	**(123,919,988)**	(114,013,988)	**(121,070,691)**	(112,219,251)
		24,861,877	30,755,100	**27,711,174**	32,549,837
Non-controlling interests		**6,946,337**	8,086,113	**–**	–
Total Equity		**31,808,214**	38,841,213	**27,711,174**	32,549,837
Total Liabilities and Equity		**37,383,627**	44,495,345	**29,088,746**	34,806,377

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Attributable to equity holders of the Company						
	Share Capital S$	Fair value Reserve S$	Translation Reserve S$	Accumulated Losses S$	Total S$	Non-controlling Interests S$	Total Equity S$
Group							
2018							
Balance at 1 July 2017	144,769,088	–	(7,185,636)	(106,828,352)	30,755,100	8,086,113	38,841,213
Net loss for the year	–	–	–	(14,751,200)	(14,751,200)	(577,587)	(15,328,787)
Other comprehensive (loss)/ income (Note 31)	–	(43,749)	4,888,949	–	4,845,200	(119,405)	4,725,795
Total comprehensive (loss)/profit for the year	–	(43,749)	4,888,949	(14,751,200)	(9,906,000)	(696,992)	(10,602,992)
Issue of new shares (Note 30)	4,084,777	–	–	–	4,084,777	–	4,084,777
Share issue expenses	(72,000)	–	–	–	(72,000)	–	(72,000)
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	–	(442,784)	(442,784)
Balance at 30 June 2018	148,781,865	(43,749)	(2,296,687)	(121,579,552)	24,861,877	6,946,337	31,808,214

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

(Continued)

	Attributable to equity holders of the Company					
	Share Capital S$	Translation Reserve S$	Accumulated Losses S$	Total S$	Non-controlling Interests S$	Total Equity S$
Group						
2017						
Balance at 1 July 2016	140,957,335	(8,254,285)	(99,120,724)	33,582,326	14,406,239	47,988,565
Net loss for the year	–	–	(7,707,628)	(7,707,628)	(4,062,105)	(11,769,733)
Other comprehensive income (Note 31)	–	1,068,649	–	1,068,649	478,829	1,547,478
Total comprehensive profit/(loss) for the year	–	1,068,649	(7,707,628)	(6,638,979)	(3,583,276)	(10,222,255)
Issue of new shares (Note 30)	3,925,753	–	–	3,925,753	–	3,925,753
Share issue expenses	(114,000)	–	–	(114,000)	–	(114,000)
Acquisition of additional interest in a subsidiary	–	–	–	–	(104,122)	(104,122)
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	(2,632,728)	(2,632,728)
Balance at 30 June 2017	144,769,088	(7,185,636)	(106,828,352)	30,755,100	8,086,113	38,841,213

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

	Note	2018 S$	2017 S$
Cash Flows from Operating Activities			
Loss for the year from continuing operations		**(10,526,816)**	(11,360,390)
Loss for the year from discontinued operations		**(4,598,094)**	(299,823)
		(15,124,910)	(11,660,213)
Adjustments:			
Allowance for impairment loss on trade receivables, net of reversal		**38,517**	15,136
Allowance for impairment loss on non-trade receivables		**7,253,091**	88,896
Depreciation of property, plant and equipment		**275,469**	305,755
Inventory written-off		**507**	–
Allowance for inventory obsolescence	21	**187,079**	993,306
Impairment loss on available-for-sale financial assets	19	**–**	60
Impairment loss on intangible assets	18	**–**	5,165,985
Impairment of goodwill	17	**–**	1,569,703
Fair value gain on assets held for sale, net of tax	5	**(6,621)**	–
Loss on disposal and de-registration of subsidiaries	20(b)	**4,487,676**	297,059
(Gain)/loss on disposal of plant and equipment	5	**(6,460)**	5,657
Gain on disposal of quoted equity investment	19	**–**	(1,482,676)
Foreign exchange loss – unrealised	5	**467,647**	183,924
Employee share award expenses	8	**–**	975,753
Interest expense		**56,648**	226,203
Interest income		**(142,965)**	(602,709)
Share of loss from joint ventures entities	16	**–**	77,072
Operating cash flow before working capital changes		**(2,514,322)**	(3,841,089)
Changes in operating assets and liabilities:			
Inventories		**888,136**	26,971
Trade and other receivables		**(1,190,291)**	2,795,005
Trade and other payables		**1,048,176**	1,031,221
Related parties balances (net)		**84,504**	4,117
Cash flows (used in)/generated from operations		**(1,683,797)**	16,225
Interest income received		**65,137**	462,344
Interest paid		**(56,648)**	(226,203)
Income taxes paid		**(123,944)**	(30,967)
Net cash flows (used in)/generated from operating activities		**(1,799,252)**	221,399

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

(Continued)

	Note	2018 S$	2017 S$
Cash Flows from Investing Activities			
Disposal of subsidiaries, net of cash disposed	14(g)	**–**	81,370
Purchase of property, plant and equipment	13	**(1,992,486)**	(8,746,849)
Proceeds from disposal of plant and equipment		**22,326**	9,096
Proceeds from redemption of other financial assets		**–**	4,000,000
Proceeds from disposal of other financial assets		**–**	556,034
Payment of petroleum exploration expenditure		**(61,526)**	(224,647)
Dividend received from joint venture company	16	**21,504**	–
Redemption of fixed income investment		**–**	200,000
Fixed deposits pledged to banks		**65,827**	2,853,162
Net cash flows used in investing activities		**(1,944,355)**	(1,271,834)
Cash Flows from Financing Activities			
Proceeds from issuance of convertible notes	28	**2,000,000**	2,500,000
Proceeds from issuance of shares (Note B)		**1,179,000**	–
Share issue expenses	30	**(72,000)**	(114,000)
Repayment of finance lease obligations		**(9,226)**	(8,988)
Redemption of convertible loan	28	**–**	(3,500,000)
(Repayment to)/loan from a director and key management personnel	28	**(100,000)**	650,000
Dividend paid by a subsidiary to non-controlling shareholders		**(442,784)**	(2,632,728)
Net cash flows generated from/(used in) financing activities		**2,554,990**	(3,105,716)
Net decrease in cash and cash equivalents		**(1,188,617)**	(4,156,151)
Cash and cash equivalents at the beginning of the year		**7,399,900**	11,120,965
Effects of foreign exchange rates changes on cash and cash equivalents		**(8,435)**	435,086
Cash and cash equivalents at the end of the year (Note A)		**6,202,848**	7,399,900

Note A *Cash and cash equivalents*

Cash and cash equivalents included in the consolidated statement of cash flows comprised the following amounts:

	Note	2018 S$	2017 S$
Cash and bank balances	24	**6,064,201**	5,410,118
Add: Fixed deposits (unrestricted)	25	**138,647**	1,989,782
Cash and cash equivalents		**6,202,848**	7,399,900

Note B *Non-cash transactions*

	2018 S$	2017 S$
Issuance of new shares	**4,084,777**	–
Consideration for issuance of new shares offset against amount due to third party	**(2,905,777)**	–
Proceeds from issuance of shares	**1,179,000**	–

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate Information

Magnus Energy Group Ltd. (the "Company") is a public limited liability company incorporated and domiciled in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The address of the Company's registered office and principal place of business is at 76 Playfair Road, #02-02 LHK 2 Building, Singapore 367996.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries, associated company and joint venture entities are set out in Notes 14, 15, and 16, respectively.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on an historical cost basis except as disclosed in the accounting policies set out below.

Adoption of New/Revised FRS

On 1 July 2017, the Group adopted the following new/amended standards that are mandatory for annual financial periods beginning on or after 1 January 2017:

Amendments to FRS 7 *Statement of Cash Flows*

This amendment require new disclosure about changes in liabilities arising from financing activities in respect of:–

a) changes from financing cash flows;

b) changes arising from obtaining or losing control of subsidiaries or other businesses;

c) the effect of changes in foreign exchange rates;

d) change in fair values; and

e) other changes

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities.

As this is a disclosure standard, it does not have any material impact on the financial performance or financial position of the Group. The above information is disclosed in Note 29.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of Preparation (Continued)

Adoption of New/Revised FRS (Continued)

Amendments to FRS 12 *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

The amendments clarify the application of FRS 12 to unrealised losses on debt investments, and the assessment of future taxable profits against which deferred tax assets can be recognised. Specifically:

1) Deductible temporary differences will result from unrealised losses on debt investments measured at fair value in financial statements, but measured at cost for tax purposes. This is regardless of how the entity intends to realise the investment.

2) Estimates of future taxable profits used to assess recoverability of deferred tax assets resulting from deductible temporary differences:

   a. includes profits on the recovery of assets for more than their carrying amount if such recovery is probable;

   b. includes only income types against which those temporary differences qualify to be deducted under tax legislation; and

   c. excludes tax deductions resulting from the reversal of those temporary differences.

The amendments do not have any material impact on the financial performance or financial position of the Group.

New/Revised FRS which are not yet effective

As at the date of authorisation of these financial statements, the following new or revised standards have been issued and are relevant to the Group, but not yet effective:

		Effective for accounting periods beginning on or after
FRS 115	*Revenue from Contracts with Customers*	1 January 2018
FRS 109	*Financial Instruments*	1 January 2018
FRS 116	*Leases*	1 January 2019
Amendments to FRS 28	*Long-term Interests in Associate and Joint Ventures*	1 January 2019
INT FRS 123	*Uncertainty Over Income Tax Treatments*	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of Preparation (Continued)

New/Revised FRS which are not yet effective (Continued)

FRS 115 *Revenue from Contracts with Customers*

FRS 115 *Revenue from Contracts with Customers* sets out the requirements for recognising revenue that apply to all contracts with customers (except for contract that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue Standards: FRS 18 *Revenue* and FRS 11 *Construction Contracts*, and the related interpretations on revenue recognition; INT FRS 115 *Agreements for the Construction of Real Estate*; INT FRS 118 *Transfers of Assets from Customers*; and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group does not expect a significant impact on its initial adoption.

FRS 109 *Financial Instruments*

FRS 109 was introduced to replace FRS 39 *Financial Instruments: Recognition and Measurement*. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. FRS 109 also provides a simplified hedge accounting model that will align more closely with companies' risk management strategies.

The amendment is applicable to annual periods beginning on or after 1 January 2018. The Group plans to adopt the standard in the financial year beginning on 1 July 2018 with retrospective effect in accordance with the transitional provisions. The Group is currently assessing the impact of FRS 109. The Group will apply the simplified approach on its trade receivables to recognise lifetime expected credit losses and based on its preliminary assessment, the Group expects to recognise 12-month expected credit losses for the other applicable financial assets. Based on currently known and reasonably estimable information relevant to its preliminary assessment, the Group does not expect a significant impact on its initial adoption.

FRS 116 *Leases*

FRS 116 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(a) Basis of Preparation (Continued)

New/Revised FRS which are not yet effective (Continued)

FRS 116 *Leases (Continued)*

FRS 116 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted for companies but only if it also apply FRS 115 *Revenue from Contracts with Customers* at or before the date of initial application of FRS 116. The Group is in the process of assessing the impact on the financial statements.

Amendments to FRS 28 *Long-term Interests in Associate and Joint Ventures*

The amendments clarify that FRS 109 *Financial Instruments*, including its impairment requirements, applies to long-term interests in an associate or joint venture to which the equity method is not applied but, in substance, form part of the net investment in an associate or joint venture.

The amendments are effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The Group is in the process of assessing the impact on the financial statements.

INT FRS 123 *Uncertainty Over Income Tax Treatments*

The interpretation clarifies that in determining taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity first determines whether to consider each uncertain tax treatment separately or together as a group. An entity should determine the accounting tax position, on the assumption that a taxation authority has the right to examine the amounts reported to them and has full knowledge of all relevant information. INT FRS 123 provides the following guidance on determining an entity's accounting tax positions:

– If it is probable that the taxation authority will accept the uncertain tax treatment, the entity determines the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in the entity's income tax filings.

– If it is not probable, an entity should estimate the effect of uncertainty in determining the related accounting tax position, using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty.

The interpretation is effective for annual periods beginning on or after 1 January 2019. Early application is permitted. The Group does not expect the interpretation to have any significant impact.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 **Summary of Significant Accounting Policies** (Continued)

(a) **Basis of Preparation** (Continued)

New/Revised FRS which are not yet effective (Continued)

Convergence with International Financial Reporting Standards (IFRS)

Singapore-incorporated companies listed on the Singapore Exchange (SGX) are required to apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as Singapore Financial Reporting Standards (International) ("SFRS(I)")) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SFRS(I) 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SFRS(I) 15 *Revenue from Contracts with Customers* and SFRS(I) 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109.

Other than the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework. The Group is currently conducting a detailed analysis of the available accounting policy choices, transitional optional exemptions and transitional mandatory exceptions under SFRS(I) 1 and the preliminary assessment may be subject to changes arising from the detailed analysis.

(b) **Group Accounting**

(i) Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give power, including:

– the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 **Summary of Significant Accounting Policies** (Continued)

(b) **Group Accounting** (Continued)

(i) Subsidiaries (Continued)

Consolidation (Continued)

– potential voting rights held by the Company, other vote holders or other parties;

– rights arising from other contractual agreements; and

– any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(b) Group Accounting (Continued)

(i) Subsidiaries (Continued)

Change in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(ii) Associates and Joint Ventures

Associates are entities over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to between and including 20% and 50% of the voting rights.

Joint venture entities are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Investments in associated companies and joint venture entities are accounted for in the consolidated financial statements using the equity method of accounting less accumulated impairment losses, if any.

Investments in associated companies and joint venture entities are initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated companies and joint venture entities represents the excess of the cost of acquisition of the associated companies or joint venture entities over the Group's share of the fair value of the identifiable net assets of the associated companies and joint venture entities and is included in the carrying amount of the investments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(b) Group Accounting (Continued)

(ii) Associates and Joint Ventures (Continued)

In applying the equity method of accounting, the Group's share of its associated companies and joint venture entities' post-acquisition profits or losses are recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements are adjusted against the carrying amount of the investments. When the Group's share of losses in an associated company or joint venture equals or exceeds its interest in the associated company or joint venture, including any other unsecured non-current receivables, the Group does not recognise further losses, unless it has obligations or has made payments on behalf of the associated company or joint venture. If the associated company or joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated companies and joint venture entities are eliminated to the extent of the Group's interest in the associated companies and joint venture entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. The accounting policies of associated companies and joint venture entities have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Investments in associated companies and joint venture entities are derecognised when the Group loses significant influence or joint control. If the retained interest in the former associated company or joint venture is a financial asset, the retained equity interest is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when significant influence or joint control is lost, and its fair value and partial disposal proceeds, is recognised in profit or loss.

Gains or losses arising from partial disposals or dilutions in investments in associated companies and joint ventures in which significant influence or joint control is retained are recognised in profit or loss.

(c) Foreign Currencies

Functional and presentation currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the financial performance and financial position of each group entity are expressed in Singapore Dollars ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(c) Foreign Currencies (Continued)

Transactions and balances

In preparing the financial statements of the individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the statement of financial position date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at that date. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing exchange rates at the statement of financial position date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations. Those currency translation differences are recognised in the translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the exchange rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Translation of Group entities' financial statements

The financial performance and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities are translated at the closing exchange rates at the date of that statement of financial position;

– income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and

– all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation or a disposal involving loss of control over a subsidiary that includes a foreign operation), all of the accumulated currency translation differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or joint ventures not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(d) Revenue Recognition

Revenue for the Group comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of business, net of goods and services/value-added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of the related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

Sale of goods

Revenue from sale of goods is recognised when significant risks and rewards of ownership of goods have been transferred to the customers that generally coincide with their delivery and acceptance, net of goods and services tax and sales returns.

Revenue from maintenance services

Revenue from maintenance services is recognised on a pro-rated basis over the period of the maintenance contract based on services performed.

Revenue from rental of equipment

Revenue from rental of equipment is recognised on a straight-line basis over the leasing terms as agreed in the specific rental arrangements.

Interest income

Interest income is recognised on a time-apportioned basis using the effective interest method.

Dividend income

Dividend income is recognised when the right to receive a dividend has been established.

(e) Employee Benefits

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund. The Group participates in the national schemes as defined by the laws of the countries in which it operates. The Group's contributions are recognised as an expense in profit or loss as and when they are incurred. The Group has no further payment obligations once the contributions have been paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(e) Employee Benefits (Continued)

(ii) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the statement of financial position date.

(f) Property, Plant and Equipment

Measurement

Property, plant and equipment are stated at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Depreciation

Assets under construction are not depreciated as these assets are not yet available for use.

Freehold land has unlimited useful life and is therefore not depreciated.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold building	40 years
Leasehold buildings and improvements	5 – 15 years
Machinery, tools and equipment	3 – 10 years
Motor vehicles	5 – 10 years
Computers	1 – 5 years
Office equipment	5 – 8 years
Furniture and fittings	5 – 10 years
Renovations	3 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(f) Property, Plant and Equipment (Continued)

Depreciation (Continued)

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each statement of financial position date. The effects of any revision of the residual values and useful lives are included in profit or loss for the financial year in which the changes arise.

Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repairs and maintenance expense in profit or loss during the financial year in which it is incurred.

Disposal

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

The gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(g) Investments in Subsidiaries, Associated Company and Joint Venture Entities

Investments in subsidiaries, associated company and joint venture entities are stated in the Company's statement of financial position at cost less accumulated impairment losses, if any.

On disposal of investments in subsidiaries, associated company and joint venture entities, the difference between the net disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(h) Goodwill on Consolidation

Goodwill represents the excess of the cost of an acquisition of a subsidiary over the fair value of the Group's share of their identifiable assets, liabilities and contingent liabilities, at the date of acquisition. Goodwill on acquisition of a subsidiary is classified as goodwill on consolidation.

Following initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the goodwill relates. The recoverable amount of a CGU is the higher of the CGU's fair value less costs to sell and value in use. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(h) Goodwill on Consolidation (Continued)

Gains and losses on disposal of subsidiaries include the carrying amount of goodwill relating to the entity disposed.

The Group's policy for goodwill arising on the acquisition of associated companies and joint venture entities are described under "Associates and Joint Ventures" in Note 2(b)(ii).

Gain on bargain purchase which represents the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in profit or loss on the date of acquisition.

(i) Intangible Assets

Exploration, evaluation and development expenditure

Exploration and evaluation expenditures in relation to each separate area of interest are recognised as an exploration and evaluation asset in the year in which they are incurred where the following conditions are satisfied:

– the rights to tenure of the area of interest are current; and

– at least one of the following conditions is also met:

(i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or

(ii) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are initially measured at cost and include acquisition of rights to explore, studies, exploratory drilling, trenching and sampling and associated activities and an allocation of depreciation and amortisation of assets used in exploration and evaluation activities. General and administrative costs are only included in the measurement of exploration and evaluation costs where they are related directly to operational activities in a particular area of interest. All other expenses are expensed to profit or loss.

Capitalised exploration, evaluation and development expenditure is carried at cost less accumulated amortisation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(i) Intangible Assets (Continued)

Exploration, evaluation and development expenditure (Continued)

Exploration, evaluation and development assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

Amortisation of costs carried forward will be charged from the commencement of production. When production commences, costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

(j) Impairment of Non-Financial Assets (Excluding Goodwill)

Non-financial assets (excluding goodwill) are tested for impairment whenever there is any objective evidence or indication that these assets have been impaired.

At the statement of financial position date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the amount of impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An assessment is made at each statement of financial position date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(k) Financial Assets

<u>*Classification*</u>

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

- *Financial assets, at fair value through profit or loss*

  This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified as held for trading if it is acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Group investment strategy. Derivatives, including separated embedded derivatives, are also classified as held for trading. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within twelve months after the statement of financial position date.

  Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

- *Loans and receivables*

  Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the statement of financial position date, which are classified as non-current assets. Loans and receivables are presented as “trade and other receivables” (excluding prepayments and other taxes recoverable), “related parties balances”, “cash and bank deposits” and “fixed deposits” in the statement of financial position.

- *Available-for-sale financial assets*

  Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless management intends to dispose of the assets within twelve months after the statement of financial position date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(k) Financial Assets (Continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are carried at cost.

The Group derecognises a financial asset only when the rights to receive cash flows from the financial assets have expired, or have been transferred and the Group transferred substantially all risks and rewards of ownership. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is transferred to profit or loss.

Initial measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets, at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as an expense in profit or loss.

Subsequent measurement

Financial assets, both available-for-sale and at fair value through profit or loss, are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, are carried at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(k) Financial Assets (Continued)

Subsequent measurement (Continued)

Changes in the fair value of financial assets, at fair value through profit or loss, including the effects of currency translation, interest and dividends, are recognised in profit or loss when the changes arise. Interest and dividend income on financial assets, available-for-sale, are recognised separately in income. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in the fair value reserve, together with the related currency translation differences. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve.

Impairment

- *Loans and receivables*

  The Group assesses at the statement of financial position date whether there is objective evidence that these assets are impaired and recognises an allowance for impairment when such evidence exists.

  Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy, and default or significant delay in payments are objective evidence that these financial assets are impaired.

  The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

  The allowance for impairment loss account is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

- *Available-for-sale financial assets*

  The Group assesses at the statement of financial position date whether there is objective evidence that the available-for-sale financial assets is impaired and recognises an impairment when such evidence exists.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(k) Financial Assets (Continued)

Impairment (Continued)

- *Available-for-sale financial assets (Continued)*

  In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the equity security below its cost is considered an indicator that the investment is impaired. The cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense.

  The impairment losses recognised as an expense on equity securities are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income.

(l) Cash and Cash Equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, less bank overdrafts. Bank overdrafts are presented as current borrowings on the statement of financial position. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

(m) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost includes all costs in bringing the inventories to their present location and condition. It is determined on the following basis:

Finished goods

Tubular products	–	specific identification
Equipment and spares	–	weighted average
Actuators, valves, control systems and electrical products	–	first-in, first-out

Work in progress

Cost of direct materials (specific identification) and other attributable overheads.

Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(n) Financial Liabilities

The Group shall recognise a financial liability on its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instrument.

Trade and other payables

Trade and other payables are initially measured at fair value and are subsequently carried at amortised cost using the effective interest method.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to profit or loss over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within twelve months after the statement of financial position date are presented as current borrowings. Other borrowings due to be settled more than twelve months after the statement of financial position date are presented as non-current borrowings in the statement of financial position.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(o) Borrowing Costs

Borrowing costs are charged to profit or loss when incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for intended use.

(p) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

(q) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(r) Share-based Payments

The Group issues share awards to certain employees. The fair value of these equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payment reserve.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

(s) Compound Instruments (Convertible Notes)

The component parts of compound instruments issued by the Company are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

At the date of issue, the fair value of the financial liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The financial liability component is presented as a non-current liability if the remaining maturity of the financial instrument is more than twelve months after the statement of financial position date.

The equity component is determined by deducting the amount of the financial liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity and is not subsequently remeasured.

(t) Leases

Lessee – Finance leases

Leases where the Group assumes substantially all risks and rewards incidental to ownership of the leased assets are classified as finance leases.

Assets acquired on hire purchase arrangements are capitalised and the corresponding obligations treated as a liability. The total interest, being the difference between the total installments payable and the capitalised amount, is charged to profit or loss over the period of such hire purchase arrangements on a basis that reflects a constant periodic rate of charge on the balance of capital repayments outstanding.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(t) Leases (Continued)

Lessee – Operating leases

Leases of office premises and warehouses where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the period of the leases.

Lessor – Operating leases

Leases of equipment where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the period of the leases.

(u) Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(u) Income Tax (Continued)

Deferred tax (Continued)

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the statement of financial position date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the statement of financial position date, to recover or settle the carrying amount of its tax assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at the date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in the accounting for the business combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

2 Summary of Significant Accounting Policies (Continued)

(v) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

(w) Non-current Assets Held for Sale and Discontinued Operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (or disposal groups) classified as held for sale are measured as the lower of the assets' previous carrying amount and fair value less costs to sell.

The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held-for-sale and;

(i) represents a separate major line of business or geographical area of operations; or

(ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

When a component of the Group qualifies as a discontinued operation, the comparative statement of comprehensive income is retrospectively restated to segregate the results of all operations that have been discontinued by the end of the latest reporting period.

3 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Group's accounting policies. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the statement of financial position date and the reported amounts of revenue and expenses during the financial year. Although these judgements and estimates are based on historical experience and other relevant factors, including management's expectation of future events that are believed to be reasonable under the circumstances, actual results may ultimately differ from these estimates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 Critical Accounting Estimates and Judgements (Continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Impairment of non-financial assets and goodwill

The Group assesses whether there are any indicators of impairment for all non-financial assets as at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and value in use. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

No impairment loss on non-financial assets and goodwill was recognised in the profit or loss during the financial year ended 30 June 2018. In the previous financial year ended 30 June 2017, the Group made an impairment on goodwill and intangible assets of S$1,569,703 and S$5,165,985 respectively.

Further details of the key assumptions and estimations applied in the impairment assessment of non-financial assets and the related carrying amounts are disclosed in Notes 13, 14, 17 and 18.

(b) Allowance for inventories

The Group reviews the ageing analysis of inventories as at each reporting date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for sale. The net realisable value for inventories are estimated based primarily on the latest prices and the prevailing market conditions. Possible changes in these estimates could result in revisions to the valuation of inventories.

During the current financial year, the Group made an allowance for inventory obsolescence of S$187,079 (2017: S$993,306).

Further details of the key estimation applied in the allowance for inventories and the carrying amount of the Group’s inventories are disclosed in Note 21.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

3 Critical Accounting Estimates and Judgements (Continued)

Critical judgements in applying accounting policies

In the process of applying the Group's accounting policies, the application of judgements that are expected to have a significant effect on the amounts recognised in the financial statements are discussed below.

(a) Allowance for impairment of receivables

An allowance for impairment is made for doubtful receivables for estimated losses resulting from the subsequent inability of the debtors to make required payments. If the financial conditions of the debtors were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required in future periods. Management specifically analyses trade and other receivables, historical bad receivables, debtor concentrations, debtor creditworthiness, debtor collaterals, current economic trends and changes in debtor payment terms when evaluating the adequacy of the allowance for impairment of receivables.

For the financial year ended 30 June 2018, the Group made an allowance for impairment loss (net of reversal) on trade receivables and other receivables of S$38,517 and S$7,253,091 (2017: S$15,136 and S$88,896) respectively. The carrying amount of the Group's trade and other receivables is disclosed in Note 22.

4 Revenue

	Group	
	2018 S$	2017 S$
Revenue from sale of goods	**18,870,303**	14,590,586
Revenue from maintenance services	**12,341**	29,469
Revenue from rental of equipment	**58,702**	65,213
	18,941,346	14,685,268

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

5 Other Operating Income/Expenses

	Group	
	2018	2017
	S$	S$
Continuing operations		
The following items have been included in arriving at other operating income:		
Reversal of allowance for impairment loss on trade receivables	**–**	47,442
Gain on disposal of plant and equipment	**6,460**	–
Fair value gain on assets held for sale, net of tax	**6,621**	–
Gain on disposal of other financial assets	**–**	1,482,676
Other income	**141,861**	234,344
	154,942	1,764,462
Continuing operations		
The following items have been included in arriving at other operating expenses:		
Allowance for impairment loss on trade receivables	**38,517**	62,578
Allowance for impairment loss on non-trade receivables	**7,253,091**	88,896
Inventory written off	**507**	–
Loss on disposal and de-registration of subsidiaries	**–**	297,059
Foreign exchange loss – unrealised	**467,647**	183,924
Foreign exchange loss – realised	**168,414**	149,862
Impairment of goodwill (Note 17)	**–**	1,569,703
Impairment of intangible assets (Note 18)	**–**	5,165,985
Allowance for inventory obsolescence (Note 21)	**187,079**	993,306
Expenditure for PRL 173 and 174	**61,526**	–
Impairment loss of available-for-sale financial assets – quoted equity shares (Note 19)	**–**	60
Loss on disposal of plant and equipment	**–**	5,657
	8,176,781	8,517,030

6 Distribution and Selling Expenses

	Group	
	2018	2017
	S$	S$
Continuing operations		
Entertainment expenses	**47,486**	47,717
Public relation expenses	**16,485**	31,408
Travelling expenses	**94,721**	139,004
	158,692	218,129

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

7 Administrative Expenses

	Group 2018 S$	Group 2017 S$
Continuing operations		
The following items have been included in arriving at administrative expenses:		
Audit fees		
– Company auditors	**147,230**	157,000
– Other auditors	**62,179**	80,094
Non-audit fees		
– Company auditors	**–**	–
– Other auditors	**5,488**	5,737
Depreciation of property, plant and equipment	**275,406**	305,515
Personnel expenses (Note 8)	**3,013,555**	4,815,089
Insurance expenses	**197,792**	209,164
Operating lease expenses	**376,079**	501,142

8 Personnel Expenses

	Group 2018 S$	Group 2017 S$
Continuing operations		
Staff costs:		
– wages, salaries and bonuses	**2,154,407**	2,741,612
– defined contribution plans	**150,694**	177,901
– equity-settled share-based payments	**–**	730,999
– other personnel expenses	**65,532**	87,810
	2,370,633	3,738,322
Directors' wages, salaries and bonuses:		
– directors of subsidiaries	**401,607**	622,080
Directors' defined contribution plans:		
– directors of subsidiaries	**31,387**	23,358
Directors' fees:		
– directors of the Company	**134,975**	126,575
– directors of subsidiaries	**74,953**	60,000
Equity-settled share-based payments:		
– directors of the Company	**–**	244,754
Total directors' remuneration	**642,922**	1,076,767
Total personnel expenses (Note 7)	**3,013,555**	4,815,089

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

9 Finance Income

	Group 2018 S$	Group 2017 S$
Continuing operations		
Interest income:		
– bank and fixed deposits and others*	**142,965**	602,709

* *Included the interest receivables from RCL (see Note 22(b)).*

10 Finance Costs

	Group 2018 S$	Group 2017 S$
Continuing operations		
Interest expense:		
– bank overdrafts	**908**	–
– finance leases	**1,362**	1,361
– borrowings	**54,378**	224,842
	56,648	226,203
Bank charges	**35,759**	33,825
	92,407	260,028

11 Income Tax

(a) Income tax expense

	Group 2018 S$	Group 2017 S$
Current income tax		
– current year	**20,361**	183,035
– over provision in respect of prior years	**–**	(44,984)
	20,361	138,051
Deferred tax		
– current year	**183,516**	(28,531)
Income tax relating to continuing operations	**203,877**	109,520

11 Income Tax (Continued)

(a) Income tax expense (Continued)

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to the Group's results before income tax for the financial year ended 30 June is as follows:

	Group	
	2018 S$	2017 S$
Loss before income tax from continuing operations	**(10,526,816)**	(11,360,390)
Add: Share of loss of joint ventures entities	**–**	77,072
	(10,526,816)	(11,283,318)
Tax at the statutory tax rate	**(1,789,559)**	(1,918,164)
Tax effect of non-deductible expenses*	**1,561,372**	2,165,089
Tax effect of non-taxable income	**(2,634)**	(305,416)
Over provision in respect of current and deferred taxes in prior years, net	**–**	(44,984)
Deferred tax assets not recognised	**444,000**	970,000
Statutory exemption	**–**	(1,196)
Effect of different tax rates in other countries	**(9,302)**	(755,809)
	203,877	109,520

* *mainly relates to allowances, impairments and foreign exchange loss on capital transactions (see Note 5).*

The statutory tax rate used above is the corporate tax rate of 17% (2017: 17%) payable by corporate entities in Singapore on taxable profits under tax laws in that jurisdiction. The corporate tax rate applicable to those entities of the Group incorporated in Australia is 30% (2017: 30%). The remaining entities of the Group operating in other tax jurisdictions are considered not material.

As at 30 June 2018, the Group has unutilised tax losses of approximately S$34,824,000 (2017: S$38,465,000) available for offset against future taxable profits of the entities of the Group in which the losses arose, subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the entities operate. The unutilised tax losses of S$6,071,000 from the previous financial year ended 30 June 2017 expired upon deregistration of the Group's subsidiary during the current financial year ended 30 June 2018. The deferred tax benefits of approximately S$7,139,000 (2017: S$7,727,000) arising from these unutilised tax losses have not been recognised in the financial statements as management has assessed that it is not probable that taxable profits will be available against which the unutilised tax losses can be utilised. The deferred tax benefits of S$1,032,000 from the previous financial year ended 30 June 2017 have not been carried forward upon deregistration of the Group's subsidiary during the current financial year ended 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

11 Income Tax (Continued)

(b) Deferred tax assets

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the statement of financial position as follows:

	Group	
	2018 S$	2017 S$
Deferred tax assets	**50,116**	241,423

Deferred tax assets/(liabilities) arise from and the movements in the accounts (prior to offsetting of balance with the same tax jurisdiction) during the financial year are as follows:

	Balance at the beginning of the year S$	Recognised in profit or loss S$	Recognised in other comprehensive income S$	Currency realignment S$	Balance at the end of the year S$
Group					
2018					
Deferred tax assets:					
Provisions	**15,055**	**(25,258)**	**–**	**10,203**	**–**
Available-for-sale financial assets	**189,156**	**(182,995)**	**(846)**	**(5,315)**	**–**
Property, plant and equipment	**37,212**	**24,737**	**–**	**(11,833)**	**50,116**
	241,423	**(183,516)**	**(846)**	**(6,945)**	**50,116**
2017					
Deferred tax assets:					
Provisions	106,574	(96,608)	–	5,089	15,055
Available-for-sale financial assets	185,139	(1,281)	1,024	4,274	189,156
Unutilised tax benefits	1,401,820	(1,462,038)	–	60,218	–
	1,693,533	(1,559,927)	1,024	69,581	204,211
Deferred tax (liabilities):					
Property, plant and equipment	15,878	21,986	–	(652)	37,212
Intangible assets	(1,502,983)	1,566,472	–	(63,489)	–
	(1,487,105)	1,588,458	–	(64,141)	37,212

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

12 Loss Per Share

	Group	
	2018 S$	2017 S$
Loss for the year attributable to equity holders of the Company	**(14,751,200)**	(7,707,628)
Loss for the year from discontinued operations used in the calculation of loss per share from discontinued operations	**(4,742,247)**	(253,915)
Loss for the year from continued operations used in the calculation of loss per share from continuing operations	**(10,008,953)**	(7,453,713)
Weighted average number of ordinary shares outstanding for the purposes of loss per share	**11,467,722,133**	7,626,164,096
Loss per share (S$ cents)		
– Basic and diluted from continuing operations	**(0.09)**	(0.10)
– Basic and diluted from discontinued operations	**(0.04)**	*
Total loss per share	**(0.13)**	(0.10)

* *less than 0.01 cents.*

Basic loss per share is calculated by dividing the Group's loss attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year.

For the purpose of calculating diluted loss per share, loss attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

Diluted loss per share as at 30 June 2018 and 2017 is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the share conversion would be to decrease the loss per share.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

13 Property, Plant and Equipment

(a) Group

	Freehold land S$	Freehold building S$	Leasehold buildings and improvements S$	Machinery tools and equipment S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Construction in progress S$	Total S$
2018											
Cost											
Balance at 1 July 2017	633,863	945,120	4,981,672	1,113,281	469,500	408,871	46,907	726,640	55,247	11,095,693	20,476,794
Additions	–	–	–	–	–	12,183	–	42,259	–	1,938,044	1,992,486
Disposals	–	–	–	(345,294)	–	–	–	(25,658)	–	–	(370,952)
Translation differences	(26,455)	(31,967)	(47,031)	(10,482)	(1,610)	(3,944)	(290)	(6,807)	–	(87,425)	(216,011)
Balance at 30 June 2018	607,408	913,153	4,934,641	757,505	467,890	417,110	46,617	736,434	55,247	12,946,312	21,882,317
Accumulated depreciation and impairment loss											
Balance at 1 July 2017	–	113,820	854,066	1,090,589	187,329	370,378	38,616	618,001	19,952	–	3,292,751
Charge for the year	–	18,835	116,750	7,913	47,200	25,930	2,452	37,975	18,414	–	275,469
Disposals	–	–	–	(345,294)	–	–	–	(9,792)	–	–	(355,086)
Translation differences	–	(5,948)	(6,149)	(10,159)	(991)	(3,335)	(337)	(13,304)	–	–	(40,223)
Balance at 30 June 2018	–	126,707	964,667	743,049	233,538	392,973	40,731	632,880	38,366	–	3,172,911
Net book value											
Balance at 30 June 2018	607,408	786,446	3,969,974	14,456	234,352	24,137	5,886	103,554	16,881	12,946,312	18,709,406

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

13 Property, Plant and Equipment (Continued)

(a) Group (Continued)

	Freehold land S$	Freehold building S$	Leasehold buildings and improvements S$	Machinery tools and equipment S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Construction in progress S$	Total S$
2017											
Cost											
Balance at 1 July 2016	372,468	460,225	4,880,373	1,777,669	468,193	386,879	46,924	673,459	76,978	–	9,143,168
Additions	264,401	457,250	–	161,617	–	15,153	–	52,621	19,065	10,801,909	11,772,016
Arising from disposal of subsidiary (Note 14(g))	–	–	–	(847,507)	–	(1,933)	–	(4,527)	(40,796)	–	(894,763)
Disposals	–	–	–	(6,061)	–	–	(1,298)	(24,218)	–	–	(31,577)
Translation differences	(3,006)	27,645	101,299	27,563	1,307	8,772	1,281	29,305	–	293,784	487,950
Balance at 30 June 2017	633,863	945,120	4,981,672	1,113,281	469,500	408,871	46,907	726,640	55,247	11,095,693	20,476,794
Accumulated depreciation and impairment loss											
Balance at 1 July 2016	–	92,270	719,339	1,555,975	139,455	323,348	36,415	582,870	3,387	–	3,453,059
Charge for the year	–	16,275	121,014	31,312	47,831	36,070	2,296	30,312	20,645	–	305,755
Arising from disposal of subsidiary (Note 14(g))	–	–	–	(488,644)	–	(234)	–	(431)	(4,080)	–	(493,389)
Disposals	–	–	–	(3,351)	–	–	(1,298)	(12,175)	–	–	(16,824)
Translation differences	–	5,275	13,713	(4,703)	43	11,194	1,203	17,425	–	–	44,150
Balance at 30 June 2017	–	113,820	854,066	1,090,589	187,329	370,378	38,616	618,001	19,952	–	3,292,751
Net book value											
Balance at 30 June 2017	633,863	831,300	4,127,606	22,692	282,171	38,493	8,291	108,639	35,295	11,095,693	17,184,043

Included in additions to property, plant and equipment of S$11,772,016 is a reclassification from prepayments of S$3,025,167 in the financial year ended 30 June 2016. Cash outflow relating to purchase of property, plant and equipment during the financial year ended 30 June 2017 amounted to S$8,746,849.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

13 Property, Plant and Equipment (Continued)

(a) Group (Continued)

Details of land and buildings owned by the Group are as follows:

Location	Description	Area (sqm)	Title
5234 Brittmoore-North Road Harris County, Texas 77041 (KM 449C), USA	Office/Warehouse facility	Land: 6,494 Building: 795	Freehold
130 Mills Street, Welshpool Western Australia Australia	Office/Warehouse facility	Land: 2,521 Building: 300	Freehold
Unit 8, 47 Musgrove Road, Coopers Plains, Queensland Australia	Terrace unit with office and warehouse building	Land: 190 Building: 190	Freehold
32 Loyang Crescent Singapore 508992	Office and warehouse building	Land: 4,222 Building: 3,428	Leasehold (expiring in 2051)
8 Industrial Road, Gatton, Queensland Australia	Office and warehouse building	Land: 6,000 Building: 720	Freehold

As at 30 June 2018, the Group has a motor vehicle with a net book value of S$216,765 (2017: S$246,664) registered in the name of a key management personnel of the Company held in trust for the Group.

As at 30 June 2018, the Group has certain furniture and fittings under finance leases with a net book value of S$3,841 (2017: S$13,185).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

13 Property, Plant and Equipment (Continued)

(b) Company

	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
2018						
Cost						
Balance at 1 July 2017 and 30 June 2018	**298,987**	**69,260**	**17,692**	**28,785**	**55,247**	**469,971**
Accumulated depreciation						
Balance at 1 July 2017	**52,323**	**61,807**	**10,321**	**13,710**	**19,950**	**158,111**
Charge for the year	**29,899**	**7,453**	**1,931**	**2,161**	**18,416**	**59,860**
Balance at 30 June 2018	**82,222**	**69,260**	**12,252**	**15,871**	**38,366**	**217,971**
Net book value						
Balance at 30 June 2018	**216,765**	**–**	**5,440**	**12,914**	**16,881**	**252,000**
2017						
Cost						
Balance at 1 July 2016	298,987	54,107	17,692	28,785	36,182	435,753
Additions	–	15,153	–	–	19,065	34,218
Balance at 30 June 2017	298,987	69,260	17,692	28,785	55,247	469,971
Accumulated depreciation						
Balance at 1 July 2016	22,424	46,616	8,359	11,505	1,007	89,911
Charge for the year	29,899	15,191	1,962	2,205	18,943	68,200
Balance at 30 June 2017	52,323	61,807	10,321	13,710	19,950	158,111
Net book value						
Balance at 30 June 2017	246,664	7,453	7,371	15,075	35,297	311,860

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14 Investments in Subsidiaries

(a) Investments in subsidiaries comprised:

	Company 2018 S$	Company 2017 S$
Equity investments, at cost:		
Balance at the beginning of the year	**16,170,517**	15,363,886
Additions (Note 14(f))	**34,304**	806,631
Balance at the end of the year	**16,204,821**	16,170,517
Allowance for impairment loss:		
Balance at the beginning of the year	**(2,729,348)**	(1,000,000)
Additions at the end of the year	**–**	(1,729,348)
Balance at the end of the year	**(2,729,348)**	(2,729,348)
Net book value	**13,475,473**	13,441,169

Allowance for impairment loss

(i) Mid-Continent Equipment Group Pte Ltd. and its subsidiaries (collectively the "MEG Group")

As at 30 June 2018, an allowance for impairment loss of S$1,729,348 was made on the cost of investment in MEG Group as the management had assessed the recoverable amount to be less than the carrying amount. The recoverable amount was based on management's estimate of the fair value less costs to sell, with reference to the fair value of the net assets of MEG Group. The fair value less costs to sell was based on management's estimate of the market disposal price of MEG Group's assets and liabilities as at 30 June 2018.

(ii) Flagship Ecosystems Pte. Ltd. ("Flagship")

The principal activities of Flagship included providing environmental engineering services, wholesale of machinery and equipment. In the financial year ended 30 June 2016, a full allowance of S$1,000,000 was made to impair the carrying amount of the Company's investment in the Flagship Group in view of the Flagship Group's poor performance and losses incurred from operations. As at 30 June 2018, the Flagship Group remains inactive and fully impaired as the recoverable amount does not exceed the carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14 Investments in Subsidiaries (Continued)

(b) Details of the Group's subsidiaries as at 30 June are as follows:

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group 2018 %	2017 %
Held by the Company				
Antig Investments Pte. Ltd.[6]	Investment holding	Singapore	**–**	100.00
MEG Global Ventures Pte. Ltd. ("MGV")	Investment holding	Singapore	**100.00**	100.00
Mid-Continent Equipment Group Pte Ltd. ("MEG")	Investment holding and supply of equipment, tools and accessories used in the oil drilling business, distribution of tubular products, equipment and spares, provision of environmental and waste management services, fabrication and installation of control systems and testing of valve actuation	Singapore	**55.89**	55.89
MEG Management Sdn. Bhd. ("MMSB")[1]	Providing management services	Malaysia	**100.00**	100.00
APAC Coal Limited ("APAC")[2, 5]	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	**–**	56.91
MEG Global Resources Limited ("MGR")[3]	Trading of energy and natural resources	British Virgin Islands	**100.00**	100.00
Flagship Ecosystems Pte. Ltd. ("Flagship")	Providing environmental engineering services and wholesale of machinery and equipment	Singapore	**81.33**	81.33
PT MEG Harta Indonesia ("PT MEG")[3]	Investment holding, property and infrastructure development and trading of natural resources	Indonesia	**90.00**	90.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14 Investments in Subsidiaries (Continued)

(b) Details of the Group's subsidiaries as at 30 June are as follows: (Continued)

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group 2018 %	2017 %
Held by APAC				
PT Deefu Chemical Indonesia ("PT Deefu")[5]	Trading in chemical materials	Indonesia	**–**	56.91
Held by PT Deefu				
PT Batubara Selaras Sapta[5]	Coal mining and marketing of coal products	Indonesia	**–**	56.91
Held by MGR				
PT MEG Harta Indonesia ("PT MEG")[3]	Investment holding, property and infrastructure development and trading of natural resources	Indonesia	**10.00**	10.00
Held by MEG				
Mid-Continent Equipment (Australia) Pty Ltd ("ME Australia")[2]	Supply of oilfield and mining equipment	Australia	**55.89**	55.89
Mid-Continent Enterprises, LLC[3]	Holding of warehouse property	United States of America	**55.89**	55.89
Mid-Continent Equipment, Inc.[4]	Supply of oilfield equipment	United States of America	**44.71**	44.71
Mid-Continent Environmental Project Pte Ltd ("MEP")	Sale and rental of decanters and provision of environmental and waste management services	Singapore	**55.89**	55.89
Mid-Continent Tubular Pte Ltd ("MTS")	Trading in oilfield tubular products and the provision of related services	Singapore	**55.89**	55.89

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14 Investments in Subsidiaries (Continued)

(b) Details of the Group's subsidiaries as at 30 June are as follows: (Continued)

The above subsidiaries are audited by Moore Stephens LLP, Singapore except for the following:

1 *Audited by P.S.Yap, Isma & Associates, Johor Bahru, Malaysia.*
2 *Audited by Moore Stephens (WA) Pty Ltd.*
3 *Not required to be audited under the laws of its country of incorporation but was audited by Moore Stephens LLP, Singapore for group consolidation purposes.*
4 *Audited by LaPorte CPA's and Business Advisors.*
5 *Disposed during the year (see Note 20).*
6 *De-registered during the year.*

(c) Interest in subsidiaries with non-controlling interests

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Net loss allocated to non-controlling interests		Accumulated non-controlling interests	
		2018	2017	2018	2017	2018	2017
		%	%	S$	S$	S$	S$
MEG Group	Singapore	**44.11**	44.11	**(715,412)**	(3,714,898)	**6,994,118**	8,074,011
APAC Group*	Australia	**–**	43.09	**144,152**	(45,908)	**–**	8,837
Other subsidiaries with immaterial non-controlling interests				**(6,327)**	(301,299)	**(47,781)**	3,265
				(577,587)	(4,062,105)	**6,946,337**	8,086,113

* *disposed during the financial year (see Note 20).*

During the current financial year ended 30 June 2018, dividends paid by MEG to non-controlling shareholders amounted to S$442,784 (2017: S$2,632,728).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14 Investments in Subsidiaries (Continued)

(d) Summarised financial information of subsidiaries with material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries with material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	MEG Group	
	2018	2017
	S$	S$
Summarised statement of financial position		
Current assets	**13,212,518**	14,652,543
Non-current assets	**6,208,159**	6,693,301
Current liabilities	**(3,997,030)**	(3,117,717)
Non-current liabilities	**–**	(355,753)
Equity attributable to owners of the Company	**(14,944,109)**	(17,420,364)
Non-controlling interests	**(479,596)**	(452,010)
Summarised statement of comprehensive income		
Revenue	**18,941,346**	14,122,666
Loss after tax for the year	**(1,664,008)**	(8,488,310)
Total comprehensive loss for the year	**(1,239,348)**	(8,482,945)
Loss after tax attributable to equity holders	**(1,697,255)**	(8,540,727)
Profit after tax attributable to non-controlling interests	**33,247**	52,417
Loss after tax for the year	**(1,664,008)**	(8,488,310)
Total comprehensive loss attributable to equity holders	**(1,270,688)**	(8,533,936)
Total comprehensive profit attributable to non-controlling interests	**31,340**	50,991
Total comprehensive loss for the year	**(1,239,348)**	(8,482,945)
Summarised statement of cash flows		
Net cash (outflow)/inflow from operating activities	**(1,171,727)**	116,441
Net cash (outflow)/inflow from investing activities	**(6,968)**	2,052,173
Net cash outflow from financing activities	**(9,081)**	(5,977,633)
Net cash outflow	**(1,187,776)**	(3,809,019)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14 Investments in Subsidiaries (Continued)

(e) Acquisition of additional interest in a subsidiary

In the previous financial year ended 30 June 2017, the Company acquired an additional 21.33% equity interest in Flagship for a consideration of S$2. Following the additional acquisition, the Group increased its equity interest in Flagship from 60% to 81.33%.

The effect of changes in the ownership interest of Flagship on the equity attributable to equity holders of the Company during the previous financial year are summarised as follows:

	2017 S$
Carrying amount of non-controlling interests acquired	104,124
Consideration paid to non-controlling interests	(2)
Change in interest in a subsidiary recognised in equity	104,122

(f) Increase in investment in a wholly-owned subsidiary

In the current financial year ended 30 June 2018, the Company increased its investment in its wholly-owned subsidiary, MMSB by subscribing for an additional 100,000 ordinary shares in the issued and paid-up capital of MMSB for a cash consideration of S$34,304.

In the previous financial year ended 30 June 2017, the Company increased its investment in its wholly-owned subsidiary, MMSB by subscribing for an additional 2,499,998 ordinary shares in the issued and paid-up capital of MMSB for a consideration of S$806,631 by way of capitalisation of an intercompany loan payable by MMSB to the Company.

(g) Disposal of subsidiary

In the previous financial year ended 30 June 2017, the Company through its 81.33% owned subsidiary, Flagship, disposed of PT ESI. The loss on disposal is included in the statement of comprehensive income.

Loss on disposal of subsidiary

	2017 S$
Consideration received	90,000
Net assets disposed of	(238,395)
Loss on disposal of subsidiary	(148,395)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

14 Investments in Subsidiaries (Continued)

(g) Disposal of subsidiary (Continued)

Impact of disposal on the cash flows of the Group

	2017 S$
Consideration	90,000
Less: cash and cash equivalent balances disposed of	(8,630)
Net cash inflow on disposal of subsidiary	81,370

15 Investment in Associated Company

(a) Investment in associated company comprised:

	Group	
	2018 S$	2017 S$
Equity investments, at cost:		
Balance at the beginning and end of the year	**350**	350
Share of post-acquisition losses:		
Balance at the beginning and end of the year	**(350)**	(350)
Net book value	**–**	–

(b) Details of the Group's associated company as at 30 June are as follows:

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Cost of Investment		Effective Equity Interest Held by the Group	
		2018 S$	2017 S$	2018 %	2017 %
Held by MEG					
Mohebi – Midcontinent Oilfield Supply Limited Liability Company[1] United Arab Emirates	Trading in oilfield equipment and spare parts	**350**	350	**27.39**	27.39

1 *Audited by Ernst & Young, United Arab Emirates.*

As at 30 June 2018 and 2017, the associated company was considered not material to the Group. The associated company has remained inactive for the financial years ended 30 June 2018 and 2017. There was no income generated and no expenses incurred for the financial years ended 30 June 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

16 Investments in Joint Venture Entities

Movements in the Group's joint venture entities account during the financial year are as follows:

	Group	
	2018	**2017**
	S$	**S$**
Balance at the beginning of the year	**628,325**	859,197
Share of the loss after tax for the year	**–**	(77,072)
Dividend receivable from joint venture entities	**(21,504)**	(174,163)
Transferred to assets held for sale (Note 20)	**(607,265)**	–
Foreign exchange differences	**444**	20,363
Balance at the end of the year	**–**	628,325

The joint venture entities are held by various subsidiaries of the Group. Details of the Group's joint venture entities as at 30 June are as follows:

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Effective Equity Interest Held by the Group 2018 %	2017 %
Held by MEP			
Plant Tech Mid-Continent (India) Pvt. Ltd. ("PTMC")[1, 3] India	Catalyst handling and reactor maintenance, hot-topping and allied services, and bolt tensioning services	**–**	27.95
MEP Waste Management (M) Sdn Bhd[2] Malaysia	Provision of environmental and waste management services	**27.95**	27.95

1 Audited by Nitin J. Shetty & Co, Chartered Accountant, India.

2 Audited by H. H. Tan & Co, Chartered Accountant, Malaysia.

3 Transferred to assets held for sale (Note 20).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

16 Investments in Joint Venture Entities (Continued)

As at 30 June 2018 and 2017, no joint venture entity was considered individually material to the Group. The summarised financial information of the Group's share of the joint venture entities for the previous financial year ended 30 June 2017 is as follows:

	Group 2017 S$
Current assets	1,252,120
Non-current assets	264,680
Current liabilities	(883,311)
Non-current liabilities	(5,164)
Revenue	1,891,244
Loss for the year	(77,072)
Other comprehensive income for the year	–
Total comprehensive loss for the year	(77,072)

17 Goodwill

	Group 2018 S$	Group 2017 S$
Cost		
Balance at the beginning and end of the year	**1,866,733**	1,866,733
Accumulated impairment losses		
Balance at the beginning of the year	**(1,866,733)**	(297,030)
Impairment loss recognised in the year	**–**	(1,569,703)
Balance at the end of the year	**(1,866,733)**	(1,866,733)
Net book value	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

17 Goodwill (Continued)

(a) Allocation of goodwill to cash-generating units

The goodwill acquired in a business combination is allocated, at acquisition, to the cash-generating unit ("CGU") that is expected to benefit from that business combination. The carrying amount of goodwill (before impairment of goodwill) has been allocated as follows:

	Group	
	2018 S$	2017 S$
MEG Group – Oilfield equipment supply and services	**1,569,703**	1,569,703
Flagship Group	**297,030**	297,030
	1,866,733	1,866,733

(i) MEG Group

For the purpose of the annual impairment testing, management has assessed the recoverable amount of the MEG Group – Oilfield equipment supply and services ("MEG Oilfield") based on fair value less costs to sell. The fair value less costs to sell was derived from management's estimation, with reference to the fair value of the net assets of the MEG Oilfield, the significant asset of which is a leasehold building. The fair value of the leasehold property was based on directors' estimation on the valuation of the leasehold property, with reference to comparable values of similar properties. This measurement is categorised as a Level 3 fair value in the fair value hierarchy. The significant unobservable input is the price per square metre.

Based on the above, management has assessed the carrying amount of the MEG Group, including the goodwill, to be in excess of its recoverable amount. Therefore, the goodwill allocated to the MEG Group was regarded as impaired as at 30 June 2018 and 2017.

(ii) Flagship Group

In the impairment testing of goodwill, management has assessed the recoverable amount of the Flagship Group based on fair value less costs to sell. The fair value less costs to sell was derived from management's estimation, with reference to the fair value of the net assets of the Flagship Group. The significant assets of the Flagship Group are its plant and equipment. The fair value of these plant and equipment were based on directors' estimation, with reference to the current technological development and the age of the plant and equipment. This measurement is categorised as a Level 3 fair value in the fair value hierarchy.

Based on the above, management has assessed the carrying amount of the Flagship Group, including the goodwill, to be in excess of its recoverable amount. Therefore, the goodwill allocated to the Flagship Group was regarded as impaired as at 30 June 2018 and 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

18 Other Intangible Assets

	Group 2018 S$	Group 2017 S$
Petroleum Retention License		
– 20% (2017: 20%) participating interest for the exploration of an area covered by PRL 173 and 174		
Balance at the beginning of the year	**5,165,985**	4,381,220
Additions	**–**	224,647
Currency realignment	**–**	560,118
Balance at the end of the year	**5,165,985**	5,165,985
– Accumulated impairment loss		
Balance at the beginning of the year	**(5,165,985)**	–
Impairment loss	**–**	(5,165,985)
Balance at the end of the year	**(5,165,985)**	(5,165,985)
Net book value	**–**	–

The petroleum exploration rights represent the Group's contribution of its 20% participating interest in PRL 173 and 174 granted under the Petroleum Act 2000 of South Australia. The Group's accounting policy for exploration and evaluation expenditure is discussed in Note 2(i). The application of this accounting policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available.

During the previous financial year ended 30 June 2017, a full allowance of S$5,165,985 to impair the carrying amount of the Group's interest in PRL 173 and PRL 174 was recognised as the production test showed no commercial value. The impairment had been included under other operating expenses in profit or loss (Note 5).

Subsequent to the financial year ended 30 June 2018, the Group had withdrawn its interest in PRL 173 and 174.

19 Other Financial Assets

	Group 2018 S$	Group 2017 S$	Company 2018 S$	Company 2017 S$
Non-current				
Available-for-sale financial assets, at fair value:				
Quoted equity shares	**672,505**	38,252	**637,591**	40

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

19 Other Financial Assets (Continued)

During the previous financial year ended 30 June 2017, the Group disposed of certain investments in quoted equity shares with an aggregate cost of S$3,749,629 and recognised a gain on disposal of other financial assets of S$1,482,676. The gain on disposal had been included under other operating income in profit or loss (Note 5). During the previous financial year ended 30 June 2017, the Group had recognised an impairment loss of S$60 for certain available-for-sale financial assets as a result of a decline in the fair value of the quoted equity shares investments. The impairment loss had been included under other operating expenses in profit or loss (Note 5).

20 Assets/Liabilities Directly Related to Disposal Group Classified as Held for Sale

(a) Assets/Liabilities directly related to disposal group classified as held for sale

	Group		Company	
	2018 S$	2017 S$	2018 S$	2017 S$
Assets classified as held for sale	**607,265**	1	**–**	730,107[1]
Liabilities classified as held for sale	**–**	–	**–**	217,938

1 *Comprised investment in APAC Group of S$491,660 and amount due from APAC of S$238,447*

On 30 June 2016, APAC had entered into a Share Purchase Agreement to acquire 100% of the shares in Goyes Agri-Food Investment Limited ("GAF") from Sharp Year Ventures Limited (the "Proposed Acquisition"). The consideration for the acquisition will be A$136 million, funded by the issue of 272 million fully paid ordinary shares by APAC at A$0.50 per share (after share consolidation on a ratio of 100:1). On 2 August 2016, the Share Purchase Agreement for the Proposed Acquisition was amended to acquire 100% of the shares in Sharp Year Ventures Limited ("SYV"). The only asset owned by SYV is 100% of the shares in GAF. Therefore, there was no change to the substance of the Proposed Acquisition.

During the previous financial year ended 30 June 2017, the Proposed Acquisition was terminated as the merged group did not meet the Australia Stock Exchange's ("ASX") requirements for admission to the official list. The financial performance of APAC had been disclosed as discontinued operations in the previous financial year ended 30 June 2017.

During the current financial year ended 30 June 2018, APAC acquired 100% of the shares in Credit Intelligence Holding Limited from Beta Field (China) Financial Information Services Ltd, resulting in a reverse takeover of APAC. The consideration of A$14,968,545 was funded by the issue of 748,427,243 fully paid ordinary shares by APAC at A$0.02 per share (after share consolidation on a ratio of 3.4681:1).

Pursuant to the reverse takeover of APAC, the Company ceased to be the majority and controlling shareholder of APAC and its subsidiaries (collectively the "APAC Group") and held 40,165,694 shares in Credit Intelligence Limited ("CIL") (formerly known as APAC) as at 30 June 2018. The Group's interest in CIL, a company listed on the ASX has been classified as available-for-sale financial assets, at fair value (Note 19) as at 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

20 Assets/Liabilities Directly Related to Disposal Group Classified as Held for Sale (Continued)

(a) Assets/Liabilities directly related to disposal group classified as held for sale (Continued)

As at 30 June 2018, assets classified as held for sale relate to the Group's interest in PTMC. Subsequent to the financial year ended 30 June 2018, the Group entered into a share transfer agreement with their joint venture partner, Plant-Tech Industrial Services Limited, for the disposal of its 50% equity interest in PTMC for a sale consideration of INR32,743,750 (approximately S$0.6 million).

(b) Discontinued operations

	Group	
	2018 S$	2017 S$
Loss for the year from discontinued operations		
Other operating income	**122,382**	–
Other operating expenses*	**(4,487,676)**	–
Distribution and selling expenses	**(34,352)**	(84,006)
Administrative expenses	**(198,255)**	(215,430)
Finance income	**3**	2
Finance costs	**(196)**	(389)
Loss before tax	**(4,598,094)**	(299,823)
Income tax	**–**	–
Loss for the year from discontinued operations	**(4,598,094)**	(299,823)
Cash flows from discontinued operations		
Net cash outflow from operating activities	**(232,737)**	(125,538)
Net cash inflow from financing activities	**232,737**	104,643

* *comprising loss on disposal of subsidiary of S$4,487,676.*

21 Inventories

	Group	
	2018 S$	2017 S$
At cost:		
Finished goods	**648,201**	869,396
Goods-in-transit	**930,069**	882,966
Work-in-progress	**60,620**	87,033
	1,638,890	1,839,395
At net realisable value:		
Finished goods	**379,915**	1,284,626
Carrying amount at 30 June	**2,018,805**	3,124,021
Cost of inventories sold included in cost of sales amounted to:	**15,920,218**	11,457,453

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

21 Inventories (Continued)

For the financial year ended 30 June 2018, the Group made an allowance for inventory obsolescence of S$187,079 (2017: S$993,306) to write down certain inventories to their net realisable values, with reference to price quotations from third party suppliers and to scrap metal prices based on industry benchmarks for similar inventories.

22 Trade and Other Receivables

	Group		Company	
	2018 S$	2017 S$	2018 S$	2017 S$
Current				
Trade receivables	**2,778,494**	1,688,401	**–**	–
Less: Allowance for impairment loss	**(90,244)**	(51,002)	**–**	–
	2,688,250	1,637,399	**–**	–
Advance to suppliers	**26,743**	101,186	**–**	–
Assigned Debt (a)	**911,880**	1,008,840	**–**	–
Redeemable convertible loan (b), (d)	**–**	5,000,000	**–**	5,000,000
Amount recoverable from Indonesia Projects (c), (d)	**–**	1,900,000	**–**	–
Loan receivable from third party (d)	**7,253,091**	–	**–**	–
Less: Allowance for impairment (d)	**(7,253,091)**	–	**–**	–
Amount receivable for disposal of quoted equity shares (e)	**2,136,660**	2,830,379	**–**	–
Other receivables	**564,123**	119,073	**558,938**	27,310
Deposits	**38,529**	22,929	**430**	560
Prepayments	**31,716**	38,638	**9,417**	6,329
Other interests receivable	**18,594**	375,833	**2,107**	357,044
Other taxes recoverable	**7,130**	24,247	**4,565**	–
Amount recoverable from Joint Investment (f)	**1,407,500**	1,407,500	**1,407,500**	1,407,500
Less: Allowance for impairment (f)	**(1,407,500)**	(1,407,500)	**(1,407,500)**	(1,407,500)
	6,423,625	13,058,524	**575,457**	5,391,243

Trade receivables are due within normal trade credit terms of 30 – 90 days.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

22 Trade and Other Receivables (Continued)

Allowance for impairment loss – trade receivables

Movements in the allowance for impairment loss of the Group's trade receivables during the financial year are as follows:

	Group	
	2018 S$	2017 S$
Balance at the beginning of the year	**51,002**	173,160
Reversal of allowance	**–**	(47,442)
Allowance written off	**–**	(137,504)
Allowance for the year	**38,517**	62,578
Currency alignment	**725**	210
Balance at the end of the year	**90,244**	51,002

Allowance for impairment loss – other receivables

For the financial year ended 30 June 2018, the Group made an allowance for impairment loss on other receivables of S$7,253,091 (2017: S$88,896).

(a) Assigned Debt

During the financial year ended 30 June 2016, MGV, a subsidiary of the Group, had entered into a deed of assignment (the "Deed") with Revenue Anchor Sdn Bhd ("RASB") pursuant to which, RASB shall assign to MGV the benefit of the loan amounting to a sum of GBP510,000 (approximately S$1.0 million) (the "Assigned Debt") owing from GCM Resources plc ("GCM") to RASB under the terms of the convertible loan agreement ("CLA") as further described below.

RASB had entered into the CLA with GCM, an AIM quoted company, to provide a loan of up to GBP3.0 million with no interest payable. Under the terms of the CLA, the loan shall be convertible into fully paid ordinary shares in the share capital of GCM at a conversion price of 11 pence per share. Management was of the view that the equity conversion feature in the CLA for the Assigned Debt has no significant value as it can only be exercised with the mutual agreement of both contracting parties, and subject to the approval of GCM's shareholders.

The Assigned Debt matured on 30 June 2017. Subsequent to the financial year ended 30 June 2018, RASB agreed to settle the Assigned Debt through the transfer of GCM shares to the Group. Management is of the view that the balance is recoverable as the quoted market price of the GCM shares exceeds the outstanding balance as at 30 June 2018.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

22 **Trade and Other Receivables** (Continued)

Allowance for impairment loss – other receivables (Continued)

(b) Redeemable Convertible Loan ("RCL")

In the financial year ended 30 June 2015, MEG Global Resources Limited ("MEG Global Resources"), a subsidiary of the Group, had entered into a 9.0% Redeemable Convertible Loan ("RCL") agreement with PTH for an aggregate amount of up to S$5.0 million (the "Principal Amount"), subject to the terms and conditions set out in the RCL. The purpose of the RCL is for the Group to provide working capital for a housing project developed by PTH on land in Kupang City, East Nusa Tenggara, Indonesia (the "Kupang Land").

Under the terms of the agreement, the RCL shall be drawn down in 50 tranches of S$100,000 each and shall be convertible into fully paid ordinary shares in the share capital of PTH at a conversion price based on the net asset value of PTH at the intended date of conversion, subject to the mutual agreement by the contracting parties. Management is of the view that the equity conversion feature in the RCL has no significant value as it can only be exercised with the mutual agreement of both contracting parties.

The RCL is secured by a land collateral agreement whereby PTH grants power of attorney to a director of an Indonesia subsidiary of the Group to act for and on behalf of PTH to sell, transfer or dispose of all the interest (legal, beneficial or otherwise) in the Kupang Land. The Group's Indonesian legal advisor has advised the management of the Company with regard to the enforceability of the land collateral agreement.

During the current financial year ended 30 June 2018, the RCL was consolidated into an interest bearing loan (Note 22(d)).

(c) Amount recoverable from Indonesia Projects

During the previous financial year ended 30 June 2017, Road Project II and the Dam Project had been terminated with the mutual agreement of the Group and PTH. Pursuant to the terms of the early termination, PTH shall return the full advanced amount of S$4.9 million. During the previous financial year ended 30 June 2017, the Group had recovered S$3.0 million from PTH.

During the current financial year ended 30 June 2018, the remaining balances were consolidated into an interest-bearing loan (Note 22(d)).

(d) Loan receivable from third party

During the current financial year ended 30 June 2018, the Group and PTH entered into a Deed of Acknowledgement of Indebtedness ("Deed") whereby the amount recoverable from Indonesia Projects (Note 22(c)) and the Redeemable Convertible Loan including interest receivable (Note 22(b)) were consolidated into an interest-bearing loan with a principal amount of S$7.3 million. The loan bears an interest at 5% per annum on the principal amount of the loan, payable semi-annually and an additional interest of 7% per annum on the outstanding principal amount of the loan, payable on 31 August 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

22 Trade and Other Receivables (Continued)

Allowance for impairment loss – other receivables (Continued)

(d) Loan receivable from third party (Continued)

During the current financial year, the Group was notified by PTH that the ownership of the land which encompasses the development site in Kupang became subject to a dispute between the former seller and a third party. Subsequent to the year end, the Group engaged an independent legal advisor on the dispute of the development site in Kupang. The legal advisor noted in their searches that another lawsuit had been filed by another third party, to which PTH has been identified as a co-defendant. The legal advisor is of the opinion that it would be difficult for the Group to sell the land as the lawsuit against PTH over the ownership of the land presents a risk to prospective buyers.

In view of the ongoing legal proceedings and uncertainty over the legal ownership of the Kupang Land, the Group has recognised a full impairment of S$7,253,091 as at 30 June 2018. The impairment loss has been included under other operating expenses in profit or loss (Note 5).

(e) Amount receivable for disposal of quoted equity shares

During the previous financial year ended 30 June 2017, the Group disposed of 9,000,000 quoted equity shares in GCM to a third party for a consideration of approximately S$3,100,000. As at 30 June 2018, S$2,136,660 (2017: S$2,830,379) remains outstanding and the Company expects to recover this balance within the next financial year ending 30 June 2019.

(f) Amount recoverable from Joint Investment

During the financial year ended 30 June 2016, the Company had entered into a joint investment agreement with Yangtze Investment Partners Limited ("Yangtze"), a company incorporated in Hong Kong, to invest US$1.0 million (approximately S$1.4 million) (the "Joint Investment Amount") for an investment in a potential initial public offering of a renewable energy company.

During the previous financial year ended 30 June 2017, the Company had terminated the joint investment agreement with Yangtze. As at 30 June 2018 and 2017, the allowance for impairment on the amount recoverable from Joint Investment was S$1,407,500.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

23 Related Parties Balances

The amounts due from/(to) related parties (refer to Note 34 for the definition of related parties) comprised:

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Due from:				
– Subsidiaries (non-trade)	**–**	–	**13,713,500**	14,414,408
– Joint venture entities (trade)	**9,106**	76,691	**–**	–
– Joint venture entities (non-trade)	**216,494**	205,338	**–**	–
	225,600	282,029	**13,713,500**	14,414,408
Due to:				
– Joint venture entity (trade)	**(17,855)**	–	**–**	–

The trade amounts are within normal trade credit terms of 30 – 90 days. The non-trade amounts are unsecured, interest-free and repayable on demand based on cash terms.

24 Cash and Bank Deposits

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Cash and bank balances	**6,064,201**	5,410,118	**130,670**	213,952

25 Fixed Deposits

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Fixed deposits (restricted)	**2,473,457**	2,538,827	**304,055**	303,598
Fixed deposits (unrestricted)	**138,647**	1,989,782	**–**	–
	2,612,104	4,528,609	**304,055**	303,598

Fixed deposits

Fixed deposits bear interest ranging from 1.6% to 2.0% (2017: 0.5% to 2.0%) per annum and have maturity periods ranging from 3 to 12 months (2017: 3 to 12 months). The above restricted fixed deposits are pledged as security against bank overdrafts facility.

As at 30 June 2018, restricted fixed deposits included an amount of S$304,055 (2017: S$303,598) held in the name of one of the directors of the Company holding in trust for the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

26 Trade and Other Payables

	Group		Company	
	2018 S$	2017 S$	2018 S$	2017 S$
Current				
Trade payables	**1,175,825**	1,630,406	**–**	–
Other payables	**427,507**	233,366	**391,899**	206,580
Advances from customers	**785,236**	540,295	**–**	–
Amounts due to directors	**155,402**	74,299	**124,957**	74,299
Accrued operating expenses	**2,458,935**	1,270,825	**310,716**	307,723
	5,002,905	3,749,191	**827,572**	588,602
Non-current				
Other payables	**–**	351,102	**–**	–

Trade payables are due within normal trade credit terms of 30 – 90 days.

The amounts due to directors are unsecured, interest-free and repayable on demand based on cash terms.

27 Bank Overdrafts

As at 30 June 2018 and 2017, the Group has no outstanding bank overdrafts. During the current financial year ended 30 June 2018, the effective interest rate for bank overdrafts that were utilised by the Group was 5.75% (2017: Nil) per annum.

28 Borrowings

	Group		Company	
	2018 S$	2017 S$	2018 S$	2017 S$
Unsecured convertible notes:				
Balance at the beginning of the year	**800,000**	1,250,000	**800,000**	1,250,000
Convertible notes issued	**2,000,000**	2,500,000	**2,000,000**	2,500,000
Conversion to shares (Note 30)	**(2,800,000)**	(2,950,000)	**(2,800,000)**	(2,950,000)
Balance at the end of the year	**–**	800,000	**–**	800,000
Secured convertible notes:				
Balance at the beginning of the year	**–**	3,500,000	**–**	3,500,000
Convertible notes redeemed	**–**	(3,500,000)	**–**	(3,500,000)
Balance at the end of the year	**–**	–	**–**	–
Short-term borrowings				
Balance at the beginning of the year	**650,000**	–	**650,000**	–
Proceeds from short-term borrowing	**–**	650,000	**–**	650,000
Repayment of short-term borrowing	**(100,000)**	–	**(100,000)**	–
Balance at the end of the year	**550,000**	650,000	**550,000**	650,000
	550,000	1,450,000	**550,000**	1,450,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

28 Borrowings (Continued)

Unsecured convertible notes

On 3 September 2014, the Company had entered into a subscription agreement with Premier Equity Fund (the "Subscriber"), a company incorporated in the Cayman Islands and Value Capital Asset Management Private Limited (the investment manager for the Subscriber) pursuant to which the Company will issue up to S$35.0 million in aggregate principal amount of redeemable convertible notes due 2017 comprising two initial tranches of a principal amount of S$10.0 million each and a final tranche of a principal amount of S$15.0 million, on the terms and subject to the conditions of the subscription agreement. The convertible notes bear interest at a rate of 2.0% per annum and are unsecured.

The issue price of the convertible notes is 100% of the principal amount and may be converted into fully paid ordinary shares in the share capital of the Company at the option of the Subscriber on the terms and subject to the conditions of the subscription agreement. The conversion price is determined as 90% of the average of the traded volume weighted average prices per share for any three consecutive trading days as selected by the relevant registered noteholder during the 30 trading days immediately preceding the relevant conversion date on which shares were traded on the SGX-ST. Any convertible notes not converted will be redeemed by the Company at 100% of their principal amount at 36 months after the closing date for the first issue of the convertible notes.

During the financial year ended 30 June 2018, the Company issued convertible notes with principal amounts totalling S$2.0 million (2017: S$2.5 million) pursuant to the subscription agreement, and S$2.8 million (2017: S$2.95 million) of the outstanding convertible notes had been converted by the Subscriber into ordinary shares of the Company based on the terms of the subscription agreement.

Management had assessed that the fair value of the convertible option of the convertible notes issued was not material. Accordingly, no derivative had been recognised for the outstanding convertible notes during the previous financial year ended 30 June 2017.

The unsecured convertible notes matured on 6 November 2017. As at 30 June 2018, the Company has fully redeemed the unsecured convertible notes.

Secured convertible notes

On 5 April 2016, the Company entered into a convertible note agreement with Financial Frontiers Pte. Ltd. ("FFPL"), a company incorporated in Singapore. The principal amount of the secured convertible note ("CN") is S$3.5 million and bears interest at a rate of 8.0% per annum, to be paid in advance. The CN is ranked as a senior secured obligation of the Company under the convertible note agreement and has a first fixed charge over the Company's interest in shares of a subsidiary and a first floating charge over all of the Company's undertakings and all its assets, both present and future, limited to the principal amount of the CN.

Under the terms of the convertible note agreement, the CN shall be convertible into fully paid ordinary shares in the share capital of the Company, subject to the mutual agreement by FFPL and the Company. The conversion price is determined as 90% of the fifteen day volume weighted average price of each ordinary share of the Company traded on the SGX-ST for the period immediately preceding the conversion date. Any CN not converted will be redeemed by the Company at 100% of the principal amount within 5 days of the maturity date. The maturity date of the CN is 180 days from the date of the convertible note agreement. Management is of the view that the equity conversion option in the CN had no significant value as it can only be exercised with the mutual agreement of both contracting parties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

28 Borrowings (Continued)

Secured convertible notes (Continued)

During the previous financial year ended 30 June 2017, the Company had renewed the convertible note agreement with FFPL whereby FFPL had agreed to extend the maturity date of the CN to 31 March 2017 on the same terms and conditions set out in the original agreement. As at 30 June 2017, the Company had fully redeemed the convertible note of S$3,500,000.

Short-term borrowings

During the previous financial year ended 30 June 2017, the Company obtained short-term borrowings from a director and a key management personnel of the Company. The borrowings are unsecured, bear interest at 10% per annum and are repayable within 12 months.

On 27 April 2018, the short-term borrowings from a director and a key management personnel was further extended for a period of 12 months.

29 Finance Lease Obligations

	Group		Company	
	2018 S$	2017 S$	2018 S$	2017 S$
Minimum lease payments payable:				
Due not later than one year	**5,220**	10,437	**–**	–
Due later than one year and not later than five years	**–**	5,333	**–**	–
	5,220	15,770	**–**	–
Finance charges allocated to future years	**(567)**	(2,042)	**–**	–
Present value of minimum lease payments	**4,653**	13,728	**–**	–
Classified as:				
– Non-current	**–**	4,652	**–**	–
– Current	**4,653**	9,076	**–**	–

The effective interest rate of the finance lease obligations is 6% (2017: 6%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

29 Finance Lease Obligations (Continued)

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below:

	1 July 2017 S$	Cash flows Proceeds S$	Cash flows (Repayment) S$	Non-cash item Share issuance S$	Non-cash item Foreign Exchange Movement S$	30 June 2018 S$
Unsecured convertible notes	800,000	2,000,000	–	(2,800,000)	–	**–**
Short term borrowings	650,000	–	(100,000)	–	–	**550,000**
Finance lease obligation	13,728	–	(9,226)	–	151	**4,653**

30 Share Capital

	Group and Company 2018 Number of shares	S$	2017 Number of shares	S$
Ordinary shares issued and fully paid:				
Balance at the beginning of the year	**8,105,619,899**	144,769,088	**3,911,612,739**	140,957,335
Issue of new shares	**1,415,776,100**	1,284,777	**–**	–
Shares awarded to employees under Magnus Energy PSP (Note 35(a))	**–**	–	**975,753,200**	975,753
Conversion of convertible notes (Note 28)	**3,111,111,108**	2,800,000	**3,218,253,960**	2,950,000
Share issue expenses	**–**	(72,000)	**–**	(114,000)
Balance at the end of the year	**12,632,507,107**	148,781,865	**8,105,619,899**	144,769,088

The ordinary shares of the Company do not have a par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

31 Reserves

	Group		Company	
	2018	2017	2018	2017
	S$	S$	S$	S$
Translation reserve	**(2,296,687)**	(7,185,636)	**–**	–
Fair value reserve	**(43,749)**	–	**(43,749)**	–
Accumulated losses	**(121,579,552)**	(106,828,352)	**(121,026,942)**	(112,219,251)
	(123,919,988)	(114,013,988)	**(121,070,691)**	(112,219,251)

The translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

Movements of the Group's translation reserve are as follows:

	Group	
	2018	2017
	S$	S$
Balance at the beginning of the year	**(7,185,636)**	(8,254,285)
Exchange difference arising on translation of foreign operations	**4,888,949**	1,068,649
Balance at the end of the year	**(2,296,687)**	(7,185,636)

As at 30 June 2018, there is the cumulative loss of S$4,888,949 (2017: S$4,892,211) for losses on translation of foreign operations included in the translation reserve relating to the APAC Group up to that date, which was realised on completion of the disposal of APAC Group (Note 20).

32 Commitments

(a) Operating lease commitments

The Group leases certain of its office premises and other land/facilities under operating lease agreements. These leases contain renewable options and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Future minimum lease payments with initial or remaining lease terms of one year or more as at the statement of financial position date but not recognised as liabilities in the financial statements are as follows:

	Group	
	2018	2017
	S$	S$
Within 1 year	**204,264**	155,663
After 1 year to 5 years	**389,647**	458,409
After 5 years	**2,729,483**	3,053,663
	3,323,394	3,667,735

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

32 Commitments (Continued)

(b) Commitments

The Group has commitments contracted for as at the statement of financial position date but not recognised as liabilities in the financial statements as follows:

	Group	
	2018 S$	2017 S$
Construction of microalgae oil cultivation facility	**4,444,683**	6,461,000
Exploration expenditure in PRL 173 and 174	**–**	137,199
	4,444,683	6,598,199

Subsequent to the financial year ended 30 June 2018, approximately S$0.1 million has been paid to AFE for the construction of the microalgae oil cultivation facility.

33 Assistance in the Investigations of the Commercial Affairs Department

On 2 April 2014, the Company and certain subsidiaries of the Group received Notices from the Commercial Affairs Department of the Singapore Police Force ("CAD") requiring their assistance with the CAD's investigations into an offence under the Securities and Futures Act, Chapter 289 (the "SFA").

The CAD had requested for access to the following for the period from 1 July 2010 to 31 March 2014:

(i) All accounting records;

(ii) All minutes of meetings and resolutions;

(iii) All corporate electronic data, information technology equipment and data storage devices belonging to Luke Ho Khee Yong ("Luke"), the Chief Executive Officer of the Company; and

(iv) Any other relevant documents.

The Company had also been informed that Luke has been notified in the course of the investigations by the CAD that there have arisen reasonable grounds to believe that he has committed an offence under Section 197 of the SFA on false trading and market rigging and has been requested to assist the CAD in its investigations. Luke had indicated that he will fully cooperate with the CAD in its investigations.

The directors of the Company understand that the investigations may be protracted and until such time as the results of the investigations are provided, the employee who is assisting in the investigations shall continue to serve and function in respective roles in the Company.

The directors of the Company are of the opinion that the business and operations of the Group are not affected by the above investigations and the Company will continue to monitor the progress of the investigations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

34 Related Party Transactions

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Company if that person:

(i) Has control or joint control over the Company;

(ii) Has significant influence over the Company; or

(iii) Is a member of the key management personnel of the Company.

(b) An entity is related to the Company if any of the following conditions apply:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of one third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

34 Related Party Transactions (Continued)

Transactions with related parties

	Group	
	2018	**2017**
	S$	**S$**
Joint venture entities:		
– Sales	**35,694**	–
– Service fee income	**–**	954
– Purchases	**9,766**	–
Others:		
– Professional fees paid/payable to a firm in which a director has an interest	**40,000**	23,968
– Loan from a director and key management personnel	**–**	650,000

Outstanding balances with related parties at the statement of financial position date are disclosed in Note 23.

Key management personnel compensation

	Group		Company	
	2018	**2017**	**2018**	**2017**
	S$	**S$**	**S$**	**S$**
Wages, salaries and bonuses	**1,123,499**	1,143,342	**686,060**	572,448
Defined contribution plans	**62,354**	51,578	**36,198**	33,962
Equity-settled share-based payments	**–**	965,963	**–**	965,963
	1,185,853	2,160,883	**722,258**	1,572,373

As at 30 June 2018 and 2017, there are no outstanding share awards for directors and key management personnel.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of the Group and of the Company.

35 Share Options and Share Awards

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan

Magnus Energy ESOP and Magnus Energy PSP (collectively referred to as the "Share Schemes") were approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") held on 19 November 2007. The initial duration of the Share Schemes had expired on 18 November 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

35 Share Options and Share Awards (Continued)

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan (Continued)

The durations of the Share Schemes were extended, with the approval of the shareholders, for a further period of ten (10) years from and including 19 November 2017 up to (and including) 18 November 2027 in the EGM held on 31 October 2016.

The Remuneration Committee (the "RC") of the Company has been designated as the committee (the "Committee") responsible for the administration of the Share Schemes. The members of the RC are Seet Chor Hoon (Chairman), Kushairi Bin Zaidel, Ong Chin Chuan and Ong Sing Huat.

Under the Share Schemes, share options or share awards are granted to the following persons at the absolute discretion of the Committee:

(i) Group executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and

(ii) Non-executive directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the non-executive directors of the Company and Group executives and whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon the expiry of the prescribed vesting periods.

For discounted share options, the exercise price of each granted share option is set at a discount to the market price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) percent of the market price. This market price is the volume-weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST. For non-discounted share options, the exercise price of each granted share option is set at market price or such higher price as may be determined by the RC in its absolute discretion.

Share Options

No share options were granted under the Magnus Energy ESOP during the financial years ended 30 June 2018 and 2017. As at 30 June 2018 and 2017, there were no outstanding share options. There were also no discounted share options granted since the commencement of the scheme.

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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

35 Share Options and Share Awards (Continued)

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan (Continued)

Share Awards

During the financial year ended 30 June 2018, there were no share awards granted under the Magnus Energy PSP.

During the financial year ended 30 June 2017, there were share awards granted to the non-executive directors of the Company and certain Group executives under the Magnus Energy PSP. These share awards grants to eligible participants fully paid ordinary shares of the Company upon the expiry of the prescribed vesting period. The Committee has granted the share awards after taking into consideration of the loyalty and long term commitment of the non-executive directors of the Company and the Group executives.

The entire share awards granted during the financial year ended 30 June 2017 were vested on 10 February 2017, and were issued to the eligible participants at a fair value of S$0.001 per ordinary share based on the market value of the Company's shares as at that date.

2017

Eligible participants	Date of grant	As at 1.7.2016	Granted	Vested Number of shares	Lapsed/ Cancelled	As at 30.6.2017
Non-executive directors						
Kushairi Bin Zaidel	10.2.2017	–	114,218,600	(114,218,600)	–	–
Ong Chin Chuan	10.2.2017	–	48,950,800	(48,950,800)	–	–
Seet Chor Hoon	10.2.2017	–	48,950,800	(48,950,800)	–	–
Ong Sing Huat	10.2.2017	–	32,633,800	(32,633,800)	–	–
		–	244,754,000	(244,754,000)	–	–
Group executives						
Luke Ho Khee Yong	10.2.2017	–	695,102,000	(695,102,000)	–	–
Other executives	10.2.2017	–	35,897,200	(35,897,200)	–	–
		–	975,753,200	(975,753,200)	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36 Segment Information

FRS 108 *Operating Segments* requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The basis of the Group's presentation of segment information is consistent with that used for internal reporting purposes. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market price. No operating segments have been aggregated to form the reportable segments below.

The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in Note 2(v). Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise finance income and expenses, finance lease obligations and borrowings, and income and deferred taxes.

(a) Business segments

The Group is organised on a worldwide basis into the following main operating segments, namely:

- Oilfield equipment supply and services
- Coal mining
- Waste water treatment
- Renewable energy
- Investment holding

The waste water treatment segment involves the sale of proprietary water treatment systems to handle Produced Water in the oil and gas industry, Effluent Treatment Plants for textile factories and other industries as well as Build-Own-Operate/Build-Operate-Transfer (BOO/BOT) waste water treatment plants for industrial effluents.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36 Segment Information (Continued)

(a) Business segments (Continued)

	Oilfield equipment supply and services S$	Coal mining (discontinued) S$	Waste water treatment S$	Renewable energy S$	Investment holding S$	Total S$
Group						
2018						
Segment revenue and results						
External revenue	18,941,346	–	–	–	–	18,941,346
Loss from operations before interest, income tax and depreciation	(1,238,277)	(4,597,837)	(33,047)	(117,227)	(8,913,411)	(14,899,799)
Depreciation	(214,630)	(63)	(800)	–	(59,976)	(275,469)
Loss from operation before interest and income tax	(1,452,907)	(4,597,900)	(33,847)	(117,227)	(8,973,387)	(15,175,268)
Unallocated finance income						142,965
Unallocated finance costs						(92,607)
Loss before income tax						(15,124,910)
Unallocated income tax						(203,877)
Loss after income tax						(15,328,787)
Segment assets and liabilities						
Current assets	13,212,578	–	16,259	25,139	4,697,624	17,951,600
Property, plant and equipment	5,506,302	–	–	12,951,104	252,000	18,709,406
Other financial assets						672,505
Unallocated deferred income tax assets						50,116
Consolidated assets						37,383,627
Current liabilities	3,992,377	–	117,810	80,000	1,380,573	5,570,760
Unallocated current and non-current liabilities:						
Finance lease obligations						4,653
Consolidated liabilities						5,575,413
Other segment information						
Capital expenditure	49,536	–	–	1,942,950	–	1,992,486
Other non-cash items*	(194,535)	(4,487,676)	(31,568)	–	(7,253,091)	(11,966,870)

* *Other non-cash items mainly include the allowances and impairments (Note 5) and loss on disposal of subsidiary (Note 20(b)).*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36 Segment Information (Continued)

(a) Business segments (Continued)

	Oilfield equipment supply and services S$	Coal mining (discontinued) S$	Waste water treatment S$	Renewable energy S$	Investment holding S$	Total S$
Group						
2017						
Segment revenue and results						
External revenue	14,122,666	–	562,602	–	–	14,685,268
Loss from operations before interest, income tax, share of joint ventures profit and depreciation	(8,193,980)	(299,196)	(476,759)	(531,286)	(2,118,459)	(11,619,680)
Depreciation	(222,993)	(240)	(14,323)	–	(68,199)	(305,755)
Loss from operation before interest and income tax	(8,416,973)	(299,436)	(491,082)	(531,286)	(2,186,658)	(11,925,435)
Share of profit from joint ventures entities						(77,072)
Unallocated finance income						602,711
Unallocated finance costs						(260,417)
Loss before income tax						(11,660,213)
Unallocated income tax						(109,520)
Loss after income tax						(11,769,733)
Segment assets and liabilities						
Current assets	14,652,543	1	51,538	7,898	11,691,321	26,403,301
Property, plant and equipment	5,775,690	–	800	11,095,693	311,860	17,184,043
Other financial assets	38,252	–	–	–	–	38,252
Unallocated deferred income tax assets						628,325
Unallocated non-current assets						241,424
Consolidated assets						44,495,345
Current liabilities	3,018,530	–	119,992	22,067	2,038,602	5,199,191
Non-current liabilities	351,102	–	–	–	–	351,102
Unallocated current and non-current liabilities:						
Finance lease obligations						13,728
Income tax liabilities						90,111
Consolidated liabilities						5,654,132
Other segment information						
Capital expenditure	774,272	–	161,617	10,801,909	34,218	11,772,016
Other non-cash items*	(6,341,254)	–	(224,785)	–	(1,569,763)	(8,135,802)

* *Other non-cash items mainly include the allowances and impairments and fair value adjustments (Note 5).*

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

36 Segment Information (Continued)

(b) Geographical segments

	Singapore S$	Australia S$	Malaysia S$	Indonesia S$	United States of America S$	United Arab Emirates S$	Others* S$	Total S$
Group								
2018								
Revenue	**2,754,770**	**849,204**	**1,559,990**	**963,639**	**3,514,424**	**2,965,098**	**6,334,221**	**18,941,346**
Non-current assets**	**4,283,272**	**1,050,892**	**12,951,106**	**–**	**424,136**	**–**	**–**	**18,709,406**
2017								
Revenue	2,319,331	824,736	1,505,640	922,487	2,678,376	1,672,587	4,762,111	14,685,268
Non-current assets**	4,546,291	1,113,411	11,095,693	–	428,648	–	628,325	17,812,368

* Others includes different countries whose individual contribution is not more than 5%.

** Non-current assets exclude other financial assets and deferred tax assets of the segment.

Revenue is based on the location of customers regardless of where the goods are produced. Segment assets are based on the geographical location of those assets.

(c) Information about Major Customers

Included in revenues arising from oilfield equipment supply and services are revenues of approximately S$1,479,000 (2017: S$1,041,000) which arose from sales to the Group's largest customer.

37 Financial Instruments

The Group's and the Company's activities expose it to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Board of Directors of the Company provides guidelines for overall risk management. Management of the Group reviews and agrees on policies for managing the various financial risks.

(a) Market risk

Currency risk

The currency risk of the Group and the Company arises mainly from entities operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies, primarily Australian Dollar, United States Dollar and Sterling Pound, and as such are exposed to movements in foreign currency exchange rates. In addition to transactional exposures, the Group is also exposed to foreign exchange movement on its net investment in foreign subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(a) Market risk (Continued)

Currency risk (Continued)

The Group and the Company do not use derivative financial instruments to protect against the volatility associated with foreign currency transactions. However, management of the Group monitors the fluctuation in exchange rates closely to ensure that the exposure to the risk is kept at a minimal level.

The Group's currency exposure based on information provided by key management is as follows:

	United States Dollar S$	Australian Dollar S$	Singapore Dollar S$	Sterling Pound S$	Others S$	Total S$
Group						
2018						
Financial assets						
Other financial assets	–	651,241	21,264	–	–	672,505
Trade and other receivables (excluding prepayments and other taxes recoverable)	2,335,992	196,194	787,907	3,048,540	16,146	6,384,779
Related parties balances	–	–	9,106	–	216,494	225,600
Cash and bank deposits	4,028,330	476,689	1,545,451	9,572	4,159	6,064,201
Fixed deposits	138,648	2,169,401	304,055	–	–	2,612,104
	6,502,970	3,493,525	2,667,783	3,058,112	236,799	15,959,189
Financial liabilities						
Trade and other payables (excluding advances from customers)	(1,284,949)	(550,877)	(2,275,784)	–	(106,059)	(4,217,669)
Related parties balances	–	–	(17,855)	–	–	(17,855)
Borrowings	–	–	(550,000)	–	–	(550,000)
Finance lease obligations	–	–	(4,653)	–	–	(4,653)
	(1,284,949)	(550,877)	(2,848,292)	–	(106,059)	(4,790,177)
Currency exposure on net financial assets/(liabilities)	5,218,021	2,942,648	(180,509)	3,058,112	130,740	11,169,012
(Assets)/Liabilities denominated in entities' functional currencies	(5,225,486)	311,302	460,294	–	–	(4,453,890)
Net currency exposure	(7,465)	3,253,950	279,785	3,058,112	130,740	6,715,122

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(a) Market risk (Continued)

Currency risk (Continued)

The Group's currency exposure based on information provided by key management is as follows:

	United States Dollar S$	Australian Dollar S$	Singapore Dollar S$	Sterling Pound S$	Others S$	Total S$
Group						
2017						
Financial assets						
Other financial assets	–	16,786	21,466	–	–	38,252
Trade and other receivables (excluding prepayments and other taxes recoverable)	1,323,404	184,825	7,539,108	3,839,218	109,084	12,995,639
Related parties balances	–	–	76,691	–	205,338	282,029
Cash and bank deposits	4,246,726	495,611	650,033	9,030	8,718	5,410,118
Fixed deposits	835,905	3,389,106	303,598	–	–	4,528,609
	6,406,035	4,086,328	8,590,896	3,848,248	323,140	23,254,647
Financial liabilities						
Trade and other payables (excluding advances from customers)	(1,967,660)	(492,609)	(1,064,735)	–	(34,994)	(3,559,998)
Borrowings	–	–	(1,450,000)	–	–	(1,450,000)
Finance lease obligations	–	–	(13,728)	–	–	(13,728)
	(1,967,660)	(492,609)	(2,528,463)	–	(34,994)	(5,023,726)
Currency exposure on net financial assets	4,438,375	3,593,719	6,062,433	3,848,248	288,146	18,230,921
(Assets)/Liabilities denominated in entities' functional currencies	(2,102,402)	182,780	(3,860,543)	–	–	(5,780,165)
Net currency exposure	2,335,973	3,776,499	2,201,890	3,848,248	288,146	12,450,756

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(a) Market risk (Continued)

Currency risk (Continued)

The Company's currency exposure based on the information provided by key management is as follows:

	United States Dollar S$	Australian Dollar S$	Singapore Dollar S$	Total S$
Company				
2018				
Financial assets				
Other financial assets	–	637,551	40	637,591
Trade and other receivables (excluding prepayments and other taxes recoverable)	–	–	561,475	561,475
Related parties balances	374,759	–	13,338,741	13,713,500
Cash and bank deposits	16,387	–	114,283	130,670
Fixed deposits	–	–	304,055	304,055
	391,146	637,551	14,318,594	15,347,291
Financial liabilities				
Trade and other payables	–	–	(827,572)	(827,572)
Borrowings	–	–	(550,000)	(550,000)
	–	–	(1,377,572)	(1,377,572)
Currency exposure on net financial assets	391,146	637,551	12,941,022	13,969,719
Assets denominated in entity's functional currency	–	–	(12,941,022)	(12,941,022)
Net currency exposure	391,146	637,551	–	1,028,697

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(a) Market risk (Continued)

Currency risk (Continued)

	United States Dollar S$	Australian Dollar S$	Singapore Dollar S$	Total S$
Company				
2017				
Financial assets				
Other financial assets	–	–	40	40
Trade and other receivables (excluding prepayments)	–	–	5,384,914	5,384,914
Related parties balances	432,308	–	13,982,100	14,414,408
Cash and bank deposits	11,057	–	202,895	213,952
Fixed deposits	–	–	303,598	303,598
Assets directly related to disposal group classified as held for sale	–	–	730,107	730,107
	443,365	–	20,603,654	21,047,019
Financial liabilities				
Trade and other payables	–	(31,478)	(557,124)	(588,602)
Borrowings	–	–	(1,450,000)	(1,450,000)
Liabilities directly related to disposal group classified as held for sale	–	(217,938)	–	(217,938)
	–	(249,416)	(2,007,124)	(2,256,540)
Currency exposure on net financial assets/(liabilities)	443,365	(249,416)	18,596,530	18,790,479
Assets denominated in entity's functional currency	–	–	(18,596,530)	(18,596,530)
Net currency exposure	443,365	(249,416)	–	193,949

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(a) Market risk (Continued)

Currency risk (Continued)

If the Australian Dollar, United States Dollar and Sterling Pound strengthen/weaken against the Singapore Dollar by 5% with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follows:

	2018		2017	
	Increase/(Decrease)			
	Loss before income tax S$	Equity S$	Loss before income tax S$	Equity S$
Group				
Australian Dollar against Singapore Dollar				
– strengthened	**(162,698)**	**162,698**	(188,825)	188,825
– weakened	**162,698**	**(162,698)**	188,825	(188,825)
United States Dollar against Singapore Dollar				
– strengthened	**373**	**(373)**	(116,799)	116,799
– weakened	**(373)**	**373**	116,799	(116,799)
Sterling Pound against Singapore Dollar				
– strengthened	**(152,906)**	**152,906**	(192,412)	192,412
– weakened	**152,906**	**(152,906)**	192,412	(192,412)
Company				
Australian Dollar against Singapore Dollar				
– strengthened	**(31,878)**	**31,878**	12,471	(12,471)
– weakened	**31,878**	**(31,878)**	(12,471)	12,471
United States Dollar against Singapore Dollar				
– strengthened	**(19,557)**	**19,557**	(22,168)	22,168
– weakened	**19,557**	**(19,557)**	22,168	(22,168)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(a) Market risk (Continued)

Price risk

The Group were exposed to equity securities market price risk from its investments which are classified in the statement of financial position as other financial assets. Certain of these financial instruments were quoted equity securities in Australia.

If prices for quoted equity securities listed in the country mentioned above increase/(decrease) by 5% with all other variables including tax rates being held constant, the Group's and the Company's loss before tax will not be materially affected as most of these quoted equity securities are classified as available-for-sale financial assets. Instead, the Group's equity will increase/(decrease) by the following amounts:

	2018 Equity S$	2017 Equity S$
Group		
Listed in Australia:		
– increased by	**33,625**	–
– decreased by	**(33,625)**	–

Interest rate risk

The Group and the Company have cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group.

The Group and the Company obtain additional financing through borrowings and leasing arrangements. Information relating to the Group's and the Company's interest rate exposure is also disclosed in the notes on the Group's and the Company's borrowings (Note 28) and finance lease obligations (Note 29).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(a) Market risk (Continued)

Interest rate risk (Continued)

The tables below set out the Group's and the Company's exposures to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Fixed rates Less than 1 year S$	1 to 5 years S$	Non-interest bearing S$	Total S$
Group				
2018				
Financial assets				
Other financial assets	–	–	672,505	672,505
Trade and other receivables (excluding prepayments and other taxes recoverable)	–	–	6,384,779	6,384,779
Related parties balances	–	–	225,600	225,600
Cash and bank deposits	–	–	6,064,201	6,064,201
Fixed deposits	2,612,104	–	–	2,612,104
Total financial assets	2,612,104	–	13,347,085	15,959,189
Financial liabilities				
Trade and other payables (excluding advances from customers)	–	–	(4,217,669)	(4,217,669)
Borrowings	(550,000)	–	–	(550,000)
Related parties balances	–	–	(17,855)	(17,855)
Finance lease obligations	(4,653)	–	–	(4,653)
Total financial liabilities	(554,653)	–	(4,235,524)	(4,790,177)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(a) Market risk (Continued)

Interest rate risk (Continued)

	Fixed rates Less than 1 year S$	1 to 5 years S$	Non-interest bearing S$	Total S$
Group				
2017				
Financial assets				
Other financial assets	–	–	38,252	38,252
Trade and other receivables (excluding prepayments and other taxes recoverable)	5,000,000	–	7,995,639	12,995,639
Related parties balances	–	–	282,029	282,029
Cash and bank deposits	–	–	5,410,118	5,410,118
Fixed deposits	4,528,609	–	–	4,528,609
Total financial assets	9,528,609	–	13,726,038	23,254,647
Financial liabilities				
Trade and other payables (excluding advances from customers)	–	–	(3,559,998)	(3,559,998)
Borrowings	(1,450,000)	–	–	(1,450,000)
Finance lease obligations	(9,076)	(4,652)	–	(13,728)
Total financial liabilities	(1,459,076)	(4,652)	(3,559,998)	(5,023,726)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(a) Market risk (Continued)

Interest rate risk (Continued)

	Fixed rates Less than 1 year S$	1 to 5 years S$	Non-interest bearing S$	Total S$
Company				
2018				
Financial assets				
Other financial assets	–	–	637,591	637,591
Trade and other receivables (excluding prepayments and other taxes recoverable)	–	–	561,475	561,475
Related parties balances	–	–	13,713,500	13,713,500
Cash and bank deposits	–	–	130,670	130,670
Fixed deposits	304,055	–	–	304,055
Total financial assets	304,055	–	15,043,236	15,347,291
Financial liabilities				
Trade and other payables	–	–	(827,572)	(827,572)
Borrowings	(550,000)	–	–	(550,000)
Total financial liabilities	(550,000)	–	(827,572)	(1,377,572)
2017				
Financial assets				
Other financial assets	–	–	40	40
Trade and other receivables (excluding prepayments)	5,000,000	–	384,914	5,384,914
Related parties balances	–	–	14,414,408	14,414,408
Cash and bank deposits	–	–	213,952	213,952
Fixed deposits	303,598	–	–	303,598
Assets directly related to disposal group classified as held for sale	–	–	730,107	730,107
Total financial assets	5,303,598	–	15,743,421	21,047,019
Financial liabilities				
Trade and other payables	–	–	(588,602)	(588,602)
Borrowings	(1,450,000)	–	–	(1,450,000)
Liabilities directly related to disposal group classified as held for sale	(217,938)	–	–	(217,938)
Total financial liabilities	(1,667,938)	–	(588,602)	(2,256,540)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

For trade and other receivables, the Group adopts the policy of dealing with customers of good financial standing and good credit rating based on professional credit reports.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The Group's and Company's major classes of financial assets are fixed deposits, cash and bank deposits and trade and other receivables.

Financial assets that are neither past due nor impaired

Fixed deposits, cash and bank deposits that are neither past due nor impaired are mainly cash with banks with high credit ratings assigned by international credit rating agencies. Trade and other receivables and amounts due from related parties that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables, amount recoverable from Joint Investment (Note 22) and loan receivable from a third party (Note 22).

The table below is an analysis of the Group's trade receivables as at the statement of financial position date:

	Group	
	2018	**2017**
	S$	**S$**
Trade receivables		
Not past due and not impaired[1, 3]	**1,310,337**	936,073
Past due but not impaired[1, 3]	**1,377,913**	701,326
Past due and impaired[3]	**90,244**	51,002
	2,778,494	1,688,401
Less: Allowance for impairment loss[2]	**(90,244)**	(51,002)
Trade receivables, net (Note 22)	**2,688,250**	1,637,399

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(b) Credit risk (Continued)

Financial assets that are past due and/or impaired (Continued)

	Group	
	2018	**2017**
	S$	**S$**
Other receivables		
(a) Amount recoverable from Joint Investment		
Past due and impaired	**1,407,500**	1,407,500
Less: Allowance for impairment loss	**(1,407,500)**	(1,407,500)
	–	–
(b) Loan receivable from third party		
Not past due but impaired	**7,253,091**	–
Less: Allowance for impairment loss	**(7,253,091)**	–
	–	–

1 *These amounts are stated before any allowance for impairment loss.*

2 *Movements in the allowance for impairment loss during the financial year are set out in Note 22.*

3 *Trade receivables are non-interest bearing and are not secured by any collateral.*

Aging of trade receivables that are past due but not impaired as at the statement of financial position date are as follows:

	Group	
	2018	**2017**
	S$	**S$**
Not more than 3 months	**1,279,916**	406,389
3 to 6 months	**32,765**	206,280
Over 6 months	**65,232**	88,657
	1,377,913	701,326

(c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and cash equivalents and having an adequate amount of committed credit facilities to enable them to meet their normal operating obligations and commitments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(c) Liquidity risk (Continued)

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount S$	Contractual cash flows S$	Within one year S$	Within two to five years S$
Group				
2018				
Trade and other payables (excluding advances from customers)	**4,217,669**	**4,217,669**	**4,217,669**	**–**
Borrowings	**550,000**	**605,000**	**605,000**	**–**
Related parties balances	**17,855**	**17,855**	**17,855**	**–**
Finance lease obligations	**4,653**	**5,220**	**5,220**	**–**
	4,790,177	**4,845,744**	**4,845,744**	**–**
2017				
Trade and other payables (excluding advances from customers)	3,559,998	3,559,998	3,208,896	351,102
Borrowings	1,450,000	1,515,000	1,515,000	–
Finance lease obligations	13,728	15,770	10,437	5,333
	5,023,726	5,090,768	4,734,333	356,435
Company				
2018				
Trade and other payables	**827,572**	**827,572**	**827,572**	**–**
Borrowings	**550,000**	**605,000**	**605,000**	**–**
	1,377,572	**1,432,572**	**1,432,572**	**–**
2017				
Trade and other payables	588,602	588,602	588,602	–
Borrowings	1,450,000	1,515,000	1,515,000	–
Liabilities directly related to disposal group classified as held for sale	217,938	217,938	217,938	–
	2,256,540	2,321,540	2,321,540	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(d) Capital risk

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern; and

(ii) To support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to maintain an optimal capital structure so as to maximise shareholders' value, taking into consideration the future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. The Group's overall strategy remains unchanged from the previous financial year.

The Group monitors capital based on a net debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total financial liabilities less cash and bank deposits. Total equity comprises all components of equity attributable to equity holders of the Company.

	Group		Company	
	2018 S$	2017 S$	2018 S$	2017 S$
Net debt	**(1,274,024)**	(386,392)	**1,246,902**	2,042,588
Total equity	**24,861,877**	30,755,100	**27,711,174**	32,549,837
Net debt to equity	**N.M.**	N.M.	**4.50%**	6.28%

N.M. – Not meaningful as the Group is in a net cash position as at 30 June 2018 and 2017.

The Group and the Company are not subject to any external capital requirements during the current and previous financial years.

(e) Fair value of financial instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Management is responsible to determine the appropriate valuation technique and inputs for fair value measurements. Management reports to the Board of Directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(e) Fair value of financial instruments (Continued)

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);

(ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosure is required)

Management estimates that the fair value of the RCL (disclosed under other receivables in Note 22) is not materially different to its carrying amount as the RCL bear interest that approximate market interest rates.

Management estimates that the fair value of the convertible loans (disclosed under borrowings in Note 28) is not materially different to their carrying amount due to the relatively short-period of holding by the Subscriber or the short-term maturity of the convertible loans.

Management estimates that the fair value of the finance lease obligations is not materially different to the present value of payments as shown in Note 29.

The fair values of other financial assets and financial liabilities with a maturity of less than one year, which are primarily fixed deposits, cash and bank deposits, trade and other receivables (excluding prepayments and other taxes recoverable), trade and other payables (excluding advances from customers), amounts due from/(to) related parties approximate their carrying amounts due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

37 Financial Instruments (Continued)

(e) Fair value of financial instruments (Continued)

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

The following table presents the financial assets and financial liabilities measurement at fair value as at the statement of financial position date by level of the fair value hierarchy:

	Level 1 S$	Level 2 S$	Level 3 S$	Total S$
Group				
2018				
Available-for-sale financial assets:				
– Quoted equity shares	**672,505**	**–**	**–**	**672,505**
	672,505	**–**	**–**	**672,505**
2017				
Available-for-sale financial assets:				
– Quoted equity shares	38,252	–	–	38,252
	38,252	–	–	38,252

The fair values of quoted equity share investments traded in active markets are based on quoted market prices as at the statement of financial position date. The quoted market prices used for the quoted equity shares and warrants held by the Group are the closing prices as at the statement of financial position date. These available-for-sale financial assets are classified under Level 1 in the fair value measurement hierarchy.

There were no transfers between Level 1 and 2 during the current and the previous financial years.

38 Contingent Liabilities

During the financial year ended 30 June 2018, the former Managing Director ("MD") of the Company filed a claim against the Company for wrongful termination.

Management is of the view that the likelihood of an unfavourable outcome is low as the Company had made payment of compensation to the MD in accordance to the termination clause in the MD's employment contract.

39 Subsequent Events

On 7 August 2018, MEG entered into a conditional sale and purchase agreement ("Agreement") with Mid-Continent Distribution Pte Ltd to dispose its business of supplying and distributing oilfield equipment and spares in South-East Asia and the assets in relation thereto for an aggregate consideration of US$1.0 million (approximately S$1.4 million) ("Proposed Disposal").

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018

40 Authorisation of Financial Statements

The financial statements for the financial year ended 30 June 2018 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

SHAREHOLDERS' INFORMATION

AS AT 20 SEPTEMBER 2018

STATISTICS OF SHAREHOLDINGS

Number of Shares	:	12,632,507,107
Issued and fully paid-up capital	:	S$148,789,865
Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share
Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 20 SEPTEMBER 2018

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	856	8.33	49,138	0.00
100 – 1,000	4,352	42.34	2,295,291	0.02
1,001 – 10,000	2,989	29.08	10,340,857	0.08
10,001 – 1,000,000	1,415	13.76	426,128,755	3.37
1,000,001 AND ABOVE	667	6.49	12,193,693,066	96.53
TOTAL	**10,279**	**100.00**	**12,632,507,107**	**100.00**

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Luke Ho Khee Yong	970,000,000	7.67	–	–
Ong Chin Yew[(1)]	920,092,400	7.28	–	–
Charles Madhavan[(2)]	–	–	695,000,000	5.50

Notes:

(1) Mr Ong Chin Yew holds 920,092,400 ordinary shares, of which, 279,092,400 of the shares are registered in his account with DBS Nominees Pte Ltd.

(2) Mr Charles Madhavan's total deemed interest will be 5.50% from ordinary shares in the Company held by Blue Water Engineering Pte Ltd, Idola Cakrawala International Pte Ltd and his spouse's current shareholdings in the Company.

SHAREHOLDERS' INFORMATION

AS AT 20 SEPTEMBER 2018

TWENTY LARGEST SHAREHOLDERS

AS AT 20 SEPTEMBER 2018

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES	%
1	LUKE HO KHEE YONG (LUKE HE QIRONG)	970,000,000	7.68
2	MAYBANK KIM ENG SECURITIES PTE LTD	673,725,056	5.33
3	ONG CHIN YEW	641,000,000	5.07
4	DBS VICKERS SECURITIES (S) PTE LTD	505,239,183	4.00
5	DBS NOMINEES PTE LTD	504,723,144	4.00
6	LIM HENG HUNG	443,071,700	3.51
7	UNITED OVERSEAS BANK NOMINEES PTE LTD	307,764,712	2.44
8	YEO CHEE SENG	300,000,000	2.37
9	PHILLIP SECURITIES PTE LTD	288,654,139	2.29
10	BLUE WATER ENGINEERING PTE LTD	250,000,000	1.98
11	SNG LEE LENG	245,000,000	1.94
12	OCBC NOMINEES SINGAPORE PTE LTD	214,288,706	1.70
13	CHUNG SEE MOOI	200,000,000	1.58
14	HS E&T PTE LTD	200,000,000	1.58
15	IDOLA CAKRAWALA INTERNATIONAL PTE. LTD.	200,000,000	1.58
16	LIOW SEE BEE	200,000,000	1.58
17	SEET CHOR HOON	169,063,300	1.34
18	LEE CHIN CHEH	150,000,000	1.19
19	CHUA AIK SHENG (CAI YISHENG)	130,000,000	1.03
20	KUSHAIRI BIN ZAIDEL	114,372,020	0.91
	TOTAL	6,706,901,960	53.10

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 20 September 2018, approximately 76.6% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAGNUS ENERGY GROUP LTD. (the "**Company**") will be held at National Service Resort & Country Club, The Leaders Room, 10 Changi Coast Walk, 499739 on Tuesday, 30 October 2018 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2018 and the Auditors' Report thereon.

2. To re-elect Mr Charles Madhavan, a Director who is retiring in accordance with Regulation 83 of the Company's Constitution and who, being eligible, offers himself for re-election.

3. To approve Director's fee of S$11,530 for Mr Charles Madhavan for the period from 27 May 2018 to 30 October 2018.

4. To approve Director's fee of S$17,295 for Mr Charles Madhavan for the period from 31 October 2018 to 30 June 2019. [See Explanatory Note (i)]

5. To re-elect Mr Ong Chin Chuan, a Director who is retiring by rotation in accordance with Regulation 101(1) of the Company's Constitution and who, being eligible, offers himself for re-election. Mr Ong shall, upon re-election as Director of the Company, remain as Chairman of the Audit Committee. The Board considers Mr Ong to be independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") of the Singapore Exchange Securities Trading Limited, (the "**SGX-ST**").

6. To approve Directors' fees of S$134,175 (excluding the fee stated in item 3 above) for the financial year ending 30 June 2018. [See Explanatory Note (ii)]

7. To approve Directors' fees of S$135,175 (excluding the fee stated in item 4 above) for the financial year ending 30 June 2019, to be paid quarterly in arrears.

8. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

9. **Ordinary Resolution: Authority to allot and issue shares (the "Share Issue Mandate")**

   That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the "**Companies Act**"), the Directors of the Company be authorised and empowered to:

   (a) issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(b) make or grant offers, agreements or options that might or would require shares to be issued, including but not limited to instruments convertible into Shares and convertible securities arising from adjustments made to the number of convertible securities previously issued in respect of rights, bonus or capitalisation issues (collectively, the "**Instruments**"),

at any time during the continuance of the authority conferred by this Resolution or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance to sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, approving the mandate after adjusting for:

    (a) new shares arising from conversion or exercise of any convertible securities;

    (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing this Resolution; and

    (c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)]

NOTICE OF ANNUAL GENERAL MEETING

10. **Ordinary Resolution: Authority to issue shares under Magnus Energy Employee Share Option Plan**

That pursuant to Section 161 of the Companies Act, Cap 50, the Directors of the Company be authorised and empowered to offer and grant options under Magnus Energy Employee Share Option Plan (the "**Magnus Energy ESOP**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Magnus Energy ESOP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Magnus Energy ESOP and the Magnus Energy Performance Share Plan (as defined below) collectively shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (iv)]

11. **Ordinary Resolution: Authority to issue shares under the Magnus Energy Performance Share Plan**

That pursuant to Section 161 of the Company's Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards pursuant to the Magnus Energy Performance Share Plan (the "**Magnus Energy PSP**") and to allot and issue and/or transfer from time to time such number of shares as may be required to be issued pursuant to the vesting of awards under the Magnus Energy PSP, provided that the aggregate number of shares to be allotted and issued pursuant to the Magnus Energy ESOP and the Magnus Energy PSP collectively shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. [See Explanatory Note (v)]

By Order of the Board

Ong Sing Huat
Company Secretary

Singapore, 15 October 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ordinary Resolution 4 shall only be tabled and put to a vote on condition that Ordinary Resolution 2 for the re-election of Mr Charles Madhavan is first passed.

(ii) In relation to Ordinary Resolution 6, directors' fees for the financial year ended 30 June 2018 ("**FY2018**" and "**FY2018 directors' fees**") were approved at the last annual general meeting held on 30 October 2017. The additional directors' fees proposed arise from fees payable to Directors for meetings and work carried out between 31 October 2017 and 30 June 2018.

(iii) Ordinary Resolution 9, if passed, will authorise and empower Directors of the Company, from the date of the above Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of used shares (excluding treasury shares) in the capital of the Company at the times the resolution is passed, for such purposes as they consider would be in the interests of the Company.

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time when this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iv) Ordinary Resolution 10, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual general Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting whichever is earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Magnus Energy ESOP and Magnus Energy PSP up to a number not exceeding in aggregation (for the entire duration of the Magnus Energy ESOP) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(v) Ordinary Resolution 11, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the Company pursuant to the vesting of awards under the Magnus Energy PSP granted or to be granted under the Magnus Energy ESOP and the Magnus Energy PSP up to a number not exceeding in total (for the entire duration of the Scheme) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes on Annual General Meeting:

(a) A Member (other than a relevant intermediary) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint no more than two (2) proxies to attend, speak and vote in his/her stead. Where a Member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a Member of the Company.

(b) Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

(c) "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act.

(d) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy, if no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second proxy as an alternate to the first named.

NOTICE OF ANNUAL GENERAL MEETING

(e) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

(f) The instrument appointing a proxy must be completed and deposited at the Share Registrar & Share Transfer Office of the Company at Tricor Barbinder Share Registration Services, 80 Robinson Road, #11-02, Singapore 068898, not less than seventy-two (72) hours before the time appointed for holding the Meeting.

(g) A Depositor shall not be regarded as a member of the Company entitled to attend and vote at the Meeting unless his name appears on the Depository Register maintained by The Central Depository (Pte) Limited not less than 72 hours before the time appointed for the Meeting.

(h) An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CDP and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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*This Notice has been prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte. Ltd. (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 Notice.*

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

The contact person for the Sponsor is Mr Bernard Lui whose details are set out below:
Tel: 6389 3000 Email: bernard.lui@morganlewis.com

MAGNUS ENERGY GROUP LTD.

Company Registration No. 198301375M
(Incorporated In the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore ("**Companies Act**"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF investors and/or SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF and/or SRS investors should contact their respective CPF and/or SRS Approved Nominees for any queries they may have with regard to their appointment as proxies.

PERSONAL DATA PRIVACY:

By Submitting an instrument appointment a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 October 2018.

*I/We, ______________________________ NRIC/Passport No. ______________

of ____ (Address)
being a *member/members of MAGNUS ENERGY GROUP LTD. (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

*and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both the persons, referred to above, the Chairman of the Annual General Meeting (the "**Meeting**") of the Company, as my/our proxy/proxies to vote for me/us on my/our behalf on a poll, at the Meeting of the Company to be held at National Service Resort & Country Club, The Leaders Room, 10 Changi Coast Walk, Singapore 499739 on Tuesday, 30 October 2018 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/she/they may on any other matters arising at the Meeting.

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with an "X" or a "✓" in the relevant box provided below. Alternatively, if you wish to vote some of your shares "For" and some of your shares "Against" the relevant resolution, please insert the relevant number of shares in the relevant boxes provided below.)

No.	**Resolutions relating to:**	**Number of votes For**	**Number of votes Against**
As Ordinary Business			
1.	Adoption of Audited Financial Statements, Directors' Report and Auditors' Report of the Company for the financial year ended 30 June 2018.		
2.*	Re-election of Mr Charles Madhavan as Director.		
3.	Approval of Mr Charles Madhavan's Director's fee of S$11,530 for the period from 27 May 2018 to 30 October 2018.		
4.*	Approval of Mr Charles Madhavan's Director's fee of S$17,295 for the period from 31 October 2018 to 30 June 2019.		
5.	Re-election of Mr Ong Chin Chuan as Director.		
6.	Approval of payment of Directors' fees of S$134,175 (excluding the fee stated in item 3 above) for the financial year ending 30 June 2018.		
7.	Approval of payment of Directors' fees of $135,175 (excluding the fee stated in item 4 above) for the financial year ending 30 June 2019, to be paid quarterly in arrears.		
8.	Re-appointment of Moore Stephens LLP as Auditors.		
As Special Business			
9.	Authority to allot and issue shares		
10.	Authority to issue shares under the Magnus Energy Employee Share Option Plan		
11.	Authority to issue shares under the Magnus Energy Performance Share Plan		

Dated this __________ day of ____________________ 2018

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Ordinary Resolution 4 shall only be tabled and put to a vote on condition that Ordinary Resolution 2 for the re-election of Mr Charles Madhavan is first passed.

Notes to Proxy Form:

1. Please insert the total number of Shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Future Act, (Cap. 289) of Singapore), you should insert that number of Shares under CDP Register. If you have shares registered in your name in the Register of Members, you should insert that number of Shares under Register of Members. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the proportion of his concerned. A proxy need not be a member of the Company.
3. Where a member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

   "relevant intermediary" means:

   (a) A banking corporation licensed under the Banking Act, Cap. 19 of Singapore, or a wholly-owned subsidiary of such banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;

   (b) A person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

   (c) The Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, of the Board holds the shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

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MAGNUS ENERGY GROUP LTD.
c/o Tricor Barbinder
Share Registration Services
80 Robinson Road
#11-02
Singapore 068898

2nd fold

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the Share Registrar & Share Transfer Office of the Company at Tricor Barbinder Share Registration Services, 80 Robinson Road, #11-02, Singapore 068898, not less than seventy-two (72) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its officer or attorney duly authorised.
8. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
10. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CDP and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CFP and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts the personal data privacy terms set out in the Notice of Annual Meeting dated 15 October 2018.

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