MAGNUS ENERGY GROUP LTD.

Expanding Networks
Expanding Growth

ANNUAL REPORT 2020

CORPORATE PROFILE

Magnus Energy Group Ltd. 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 equipment and spares supplies to oil and gas industry with the acquisition of Mid Continent Equipment Group Pte Ltd. in 2004.

Magnus continues to focus on building the oil and gas equipment distribution business through its USA operations in Mid-Continent Equipment, Inc. In 2020, Magnus actively collaborates with business partners to enter into engineering, procurement, and construction ("**EPC**") projects overseas.

*This Annual Report has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist.*

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

The contact person for the Sponsor is Mr Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.

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CHAIRMAN'S STATEMENT

Michael Pixley
Chairman of the Board and Independent Director

DEAR SHAREHOLDERS,

On behalf of the Board of Magnus Energy Group Ltd. (the "**Company**", together with its subsidiaries, the "**Group**"), I am pleased to present to you our Annual Report for the financial year ended 30 June 2020 ("**FY2020**").

A Challenging Year in Review

FY2020 was a challenging year for our Group as we underwent significant changes in the composition of the board and the management. We believe this is a necessary step to propel the Group forward and to transform the Group's business and operations into a more profitable and sustainable one that enhances greater value for our shareholders.

At the same time, the global economy had been impacted by the COVID-19 pandemic which resulted in varying degrees of quarantines, lockdowns and preventive measures implemented by different countries to curb the spread of the virus. COVID-19 has also caused business activities worldwide to slow down significantly as international travels were suspended.

The pandemic had also severely affected the oil and gas market, creating an oversupply in the market which further depressed oil prices. In addition, the price war between The Organization of the Petroleum Exporting Countries ("**OPEC**") and Russia has caused the West Texas Intermediate ("**WTI**") to trade below zero for the first time in history. As a result, our financial performance was weakened by declining oil prices.

Chairman's Financial Review

Our Group's revenue decreased by 13.6% from S$17.6 million in the financial year ended 30 June 2019 ("**FY2019**") to S$15.2 million in FY2020.

Revenue has been on the decline since the disposal of our oil and gas equipment business in Southeast Asia in 2017. Our current operational revenue is derived solely from our remaining oil and gas equipment business from our US subsidiary, Mid-Continent Equipment, Inc. ("**MEI**").

Gross profit slipped approximately 20.0% to S$1.6 million for FY2020 (FY2019: S$2.0 million). Gross profit margin dropped from 11.6% in FY2019 to 10.7% in FY2020 resulting from stiff competition in maintaining market share amidst an environment of fast declining oil prices since early 2020.

Overall, our Group reported a net loss after tax amounting to approximately S$2.5 million for FY2020 (FY2019: S$17.5 million).

Our Group continued to maintain a robust balance sheet with cash and cash equivalents of approximately S$3.0 million as at 30 June 2020, asset-held-for-sale of approximately S$4.6 million and negligible long- and short-term debts of approximately S$0.1 million.

For more details on the operating and financial performance of the Group for FY2020, shareholders may also refer to the Company's announcements on 11 September 2020 and 7 October 2020 with regards to full year unaudited results of the Group for FY2020 and the material differences between unaudited and audited financial statements of the Group for FY2020 respectively.

Striking Regional Partnerships

Following the disposal of most of our businesses, our Group has been on the lookout for potential business opportunities that is earnings accretive within our core competencies.

In June 2020, our Group had entered into a non-binding Heads of Agreement ("**HOA**") with AREA Energy Inc ("**AEI**") in relation to a possible collaboration between Oriental EPC Private Limited ("**Oriental EPC**") as a joint venture to jointly pursue the Australasian region for engineering, procurement, installation and commissioning ("**EPIC**") projects. The HOA is subject to the execution of a formal consortium agreement which is still pending. When there are any material developments on the proposed collaboration or the HOA, we will make further announcements to keep shareholders informed.

In July 2020, our Group, together with Oriental EPC, received a letter of offer ("**LOO**") from a state-owned enterprise in Indonesia to assist with the construction of liquefied petroleum gas ("**LPG**") terminals in various parts of Indonesia through a third-party agent appointed by Oriental EPC. On top of that, Oriental EPC and us have also received another LOO from an Indonesia chemical plant operator for the refurbishment and reactivation of the chemical plant located in Jakarta, Indonesia. Both LOOs had been accepted by the Group and Oriental EPC, and we will be seeking legal advice from a qualified Indonesian law firm on the drafting of the formal engineering, procurement and construction ("**EPC**") contract agreement and all other necessary agreements and contracts for the two (2) separate projects.

Our Group is delighted with these opportunities to collaborate with Oriental EPC. Oriental EPC is one of the top EPC companies in India and primarily provides EPC services to major organisations in the chemical processing plant, effluent treatment plant, metallurgical, mini refinery, thermal and nuclear power, oil terminal operations, organic and inorganic chemicals and basic infrastructure sectors. We believe our partnership with Oriental EPC would open more doors to more collaboration opportunities on EPIC projects in the region.

As the Group envisions that there may be further developments or progress in relation to the potential business ventures set out above, and given that

CHAIRMAN'S STATEMENT

they represent new businesses areas that the Group is venturing into, the Group is convening an Extraordinary General Meeting ("**EGM**") to seek Shareholders' approval for the proposed business diversification (the "**Business Diversification**") into the businesses of providing (a) engineering, procurement, construction and commissioning ("**EPCC**") services, and related services, including management of EPCC projects, consultancy services, and maintenance and repair services for equipment, facilities and infrastructure (collectively, the "**EPCC Business**") and (b) drilling and consultancy services, including onshore drilling projects for conventional and unconventional oil and gas resources, mineral mines and coal mines, water resources exploration and production drilling, and geothermal exploratory and production drilling (the "**Drilling Business**").

The Business Diversification, once approved, shall enable the Group to proceed to finalise the above-mentioned projects and subsequently enter into transactions and/or projects in relation to the EPCC Business and Drilling Business.

Further details on the Business Diversification, along with the relevant details of the EGM, can be found in the shareholders' circular, which is to be released on the same day as this Annual Report for FY2020.

Resumption of the Trading of Shares

In August 2019, our Group suspended the trading of our shares in view of the findings detailed in the independent review report issued by Provenance Capital Pte. Ltd. (the "**Provenance Report**") as announced on SGXNet. In July 2020, the Company had announced that the Company had been requested to submit a proposal through its Sponsor to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") with a view of resuming trading in the Company's shares (the "**Resumption Proposal**") by 15 October 2020 (the "**Submission Deadline**").

The Company had made an application on 6 October 2020, through the Company's Sponsor, to the SGX-ST for an extension of time of approximately two (2) months to submit the Resumption Proposal pursuant to Rule 1304(1) of the Section B: Rules of Catalist of the SGX-ST Listing Manual ("**Catalist Rules**") from the initial deadline of 15 October 2020 to 11 December 2020 (the "**Extension**").

The request for the Extension was submitted as Nexia TS Risk Advisory Pte Ltd ("**Nexia**"), the professional firm engaged by the Company to review the findings of the Provenance Report, had informed the Company that it is only able to commence the fieldwork in relation to the Provenance Report on 19 October 2020, and expects to take approximately two (2) weeks to complete the review. Thereafter, Nexia expects to submit the first draft report on its findings and recommendations on or around 6 November 2020.

In view of the aforementioned timeline, and subject to the findings and recommendations of Nexia, the Company envisages that it will need approximately one (1) month (from 9 November 2020) to fully implement all relevant recommendations by Nexia. As the review of the issues raised in the Provenance Report is an essential step to address the concerns that led to the suspension of the Company's shares and would have a material impact on any proposal to be submitted by the Company for a resumption of trading, the Company is seeking an extension of time of up to 11 December 2020 to fulfil all the requirements set out by the SGX-ST in relation to the submission of the Resumption Proposal. The Company had, on the same day of the release of this Annual Report, separately announced the receipt of the no objection letter from SGX-ST in respect of the Extension application.

Notwithstanding, the Board and management will, in discussion with its Sponsor, work towards addressing all the relevant issues needed for the submission of the Resumption Proposal in a timely manner. The Board will make further updates if there are any material developments in relation to the Resumption Proposal as and when necessary.

Business Outlook

According to Rystad Energy, postponed plans will cause the total amount of final investment decisions and capital expenditure on oil and gas projects to double next year and exceed pre-COVID-19 levels from 2022.[1] Despite estimating total committed spending to plunge from US$190 billion in 2019 to US$53 billion in 2020, Rystad Energy predicts total spending for oil and gas projects to reach US$100 billion by 2021 with offshore projects leading the way with US$64 billion.

Our Group continues to monitor the COVID-19 situation closely and follow updates from the World Health Organization with regard to the trend of confirmed cases especially in the countries in which we operate in and the development of a vaccine. The outlook remains uncertain and challenging for us as business sentiments remained weak in a COVID-19 ravaged environment.

WTI oil prices tumbled to their lowest level to US$36.76 on 29 September 2020 since June 2020 amid growing demand concerns as COVID-19 continues to spread. The International Energy Agency ("**IEA**") expects 2020 oil demand to be around 8.4 million barrels per day ("**bpd**") lower than in 2019 while OPEC sees it contracting by 9.5 million bpd.[2] Our Group remains cautiously optimistic as we hunt for increasing windows of opportunities in a depressed market where many major players will otherwise be competing for pre-COVID-19.

Appreciation

On behalf of the Board of Directors, I would like to express my gratitude to our valued customers, business partners and other stakeholders for their unwavering support throughout the years. I would like to take this opportunity to also extend my appreciation to all my fellow Board members, management and staff for their hard work and relentless commitment to contribute to the Group in these challenging times.

Most importantly, I would like to thank our loyal shareholders for their faith in the strategic direction of the Group and our management team. We would continue to strive for excellence and to drive future positive financial performance to enhance our shareholder value and to build a more sustainable future for our Group.

Thank you.

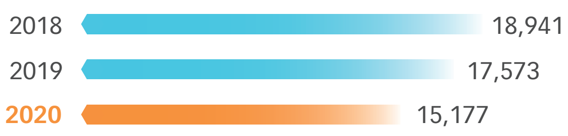
Yours sincerely,

MICHAEL GRANT PIXLEY
Independent Non-Executive Chairman

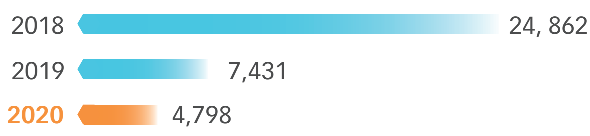
[1] *https://www.offshore-mag.com/field-development/article/14183823/oil-and-gas-project-sanctioning-to-exceed-precovid19-levels-from-2022-rystad-energy-claims*
[2] *https://oilprice.com/Energy/Crude-Oil/OPEC-Warns-That-Second-Wave-Of-COVID-Will-Derail-Demand-Recovery.html*

FINANCIAL HIGHLIGHTS

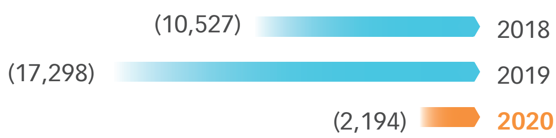
TURNOVER (S$'000)



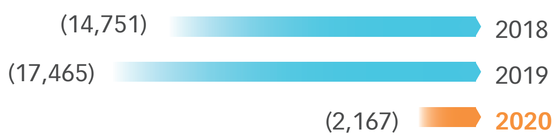
NET ASSET VALUE (S$'000)



LOSS BEFORE TAX (S$'000)



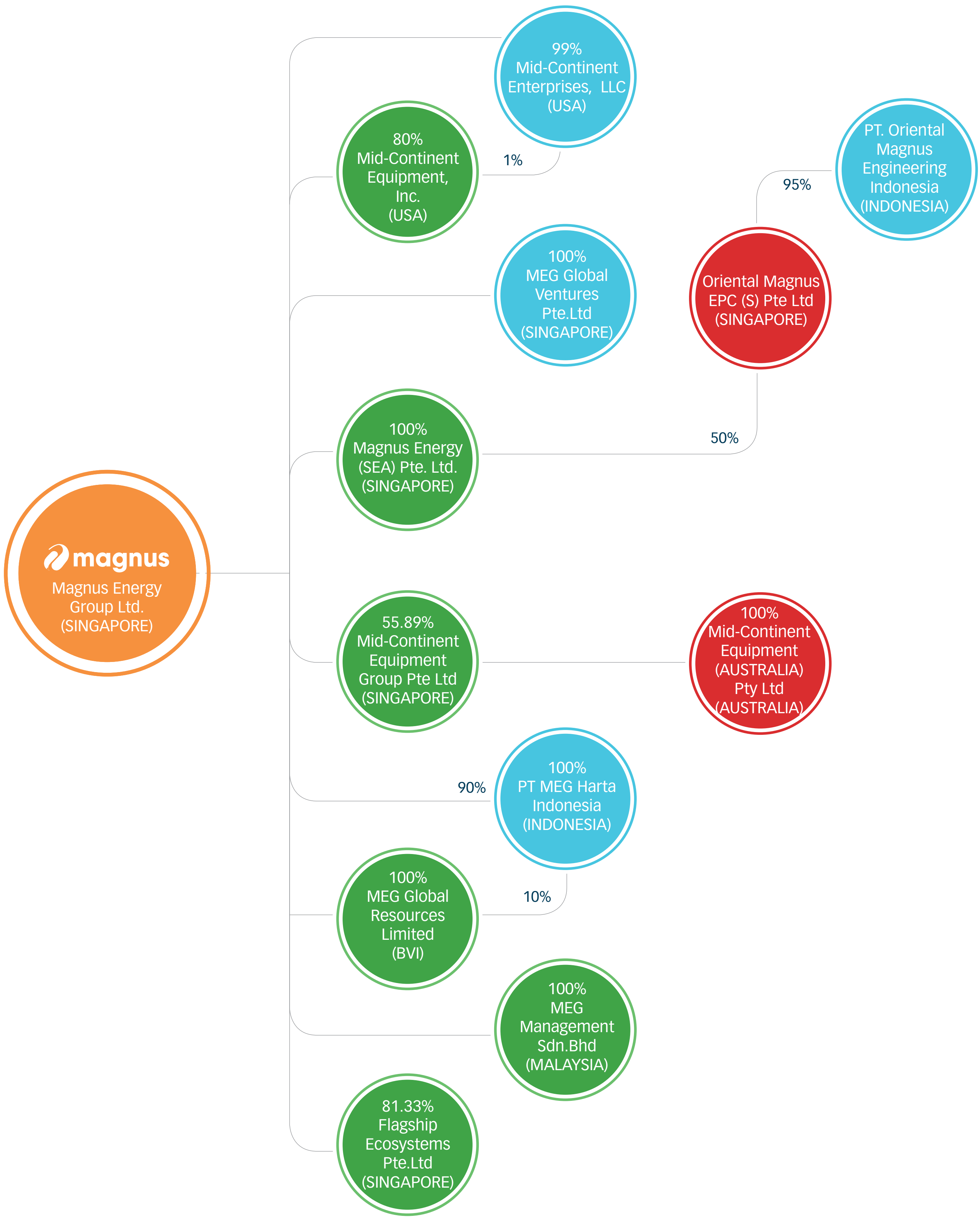
TOTAL LOSS AFTER INCOME TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (S$'000)



	2020	2019	2018
Basic loss per share (Cents)	(0.02)	(0.14)	(0.13)
TURNOVER BY BUSINESS ACTIVITIES			
Oilfield equipment supply and services (S$'000)	15,177	17,573	18,941

GROUP STRUCTURE

As of 30 September 2020



BOARD OF DIRECTORS

MR MICHAEL PIXLEY

Independent Non-Executive Chairman

Date of first appointment: 6 August 2020
Date of last re-election: N.A.

Mr. Pixley joined the Company as an Independent Non-Executive Chairman on 6 August 2020. He was appointed as the Chairman of the Remuneration Committee and member of the Audit and Nominating Committees on the same day.

Mr. Pixley has over 35 years of Merchant Banking experience in the Austral-Asian Region across a broad range of industries from property to biotechnology and mining. 23 years of which was based in Singapore firstly in private banking for a large European merchant bank, then employment within a significant Asian family office prior to returning to investment banking to head up an Australian Boutique Investment Bank office in Singapore.

Mr. Pixley returned to Australia in 2003 to drive the IPO of a private biotechnology company which he co-founded in Singapore. Michael has exhibited strong leadership and management in roles from CEO to board positions in a range of public listed and private companies all with a strong Asian connection.

Mr. Pixley has a Bachelors Degree in Business Management from Curtin University Perth, Australia.

MR FAROOQ AHMAD MANN

Independent Non-Executive Director

Date of first appointment: 15 June 2020
Date of last re-election: N.A.

Mr. Mann joined the Company as an Independent Non-Executive Director on 15 June 2020. He was appointed as the Chairman of the Audit Committee and member of the Nominating and Remuneration Committees on the same day.

Mr. Mann is also the founder and director of M/s Mann & Associates PAC.

Mr. Mann has been involved in helping struggling companies, working closely with senior management, structuring their debt and finances, creating a turnaround strategy, leading teams in the insolvency projects and reviewing their work. He is involved in the project management of major receivership assignments, undertaking investigative and forensic accounting work which includes reviewing and analysing accounting and financial records to, among others, trace assets and discover antecedant transactions.

He has also handled and managed all types of Insolvency administrations from large to small, corporate to individual. Most of his clients include financial institutions, law firms and corporations both listed and non-listed. He has experience in the following types of restructuring and Insolvency work:

1. Receivership
2. Members' and Creditors' Voluntary Winding Up
3. Court Appointed Liquidation
4. Provisional Liquidation
5. Judicial Management
6. Scheme of Arrangement
7. Special Accountant Roles

Mr. Mann has experience as liquidator of companies across a broad spectrum of industries, which include Shipping companies, Construction companies, Commodities, Food & Beverage, Information Technology, service activities incidental to oil and gas extraction, amongst others.

Additionally, his task and responsibility as a Liquidator also involves cross-border work for overseas subsidiaries in Dubai, India, Vietnam and Malaysia, among others. In these jurisdictions, he worked with stakeholders and professionals in the respective countries.

He holds an MBA from the University of Birmingham and is a Fellow of the Association of Chartered Certified Accountants, UK (FCCA). Additionally, he is a Member of the Institute of Singapore Chartered Accounts and is a Chartered Accountant of Singapore who is a Public Accountant. He is also an Approved Company Liquidator in Singapore and is a Member of the Association of Business Recovery Professionals (UK) (M.A.B.R.P). He has almost 18 years of experience in Insolvency work and has been involved in various litigation support matters, business valuation engagements and investigation work from time to time. Additionally, he is a member of the Turnaround Management Association, UK and an associate member of the Association of Certified Fraud Examiners (ACFE) and a member of the American Bankruptcy Institute.

BOARD OF DIRECTORS

MR WINSTON MILNER

Independent Non-Executive Director

Date of first appointment: 6 August 2020
Date of last re-election: N.A.

Mr. Milner joined the Company as an Independent Non-Executive Director on 6 August 2020. He was appointed as the Chairman of the Nominating Committee and member of the Audit and Remuneration Committees on the same day.

Mr. Milner is also the Director of the NBOGroup. He comes with over two (2) decades of successful corporate career in a variety of roles from Engineering, Business Development, Sales & Marketing to Senior Management. He has been based in Hong Kong, Indonesia and Singapore, where his territorial responsibilities covered the Asia Pacific region, with a variety of clients from private enterprises to governments.

Mr. Milner has worked for several leading multinational corporations, prior to joining the NBOGroup. As the Regional Business Development Director at Embraer, he led this team to win Asia's largest sale of 42 commercial aircrafts to Virgin Blue Airlines in Australia. At United Technologies (Pratt & Whitney) Maintenance and Overhaul facility, he was the General Manager of Sales & Marketing. He was then Regional Vice President for Roll-Royce's subsidiary involved in advanced equipment and power plant health monitoring analytics for the aviation, marine, energy and civil nuclear industries.

Beyond his corporate experience, Mr. Milner is active in humanitarian, social and educational causes. He sits on the Board of the Singapore Red Cross (SRC). He is the SRC's Human Resources and Compensation Committee's former Chairman and current member. He is appointed to the UNESCO Singapore Botanic Gardens World Heritage Site Management Committee. He was the former Chairman and current Vice-Chairman of the Tanglin Neighborhood Committee. He has also served as a member on the International Advisory Board of the University of Birmingham's Business School.

Mr. Milner holds a Masters in Business Administration (MBA) from the University of Birmingham. He also holds international certification as a DISC facilitator. He is a member of the Singapore Institute of Directors.

MR CHARLES MADHAVAN

Executive Director and Chief Executive Officer

Date of first appointment: 9 January 2020
Date of last re-election: N.A.

Mr. Madhavan was appointed by the shareholders as an Executive Director during an Extraordinary General Meeting ("**EGM**") held on 9 January 2020. He was further appointed as the Chief Executive Officer of the Company on the same day. Mr. Madhavan is responsible for the strategic development of the Group's business.

Mr. Madhavan has over 40 years of managerial, technical and on-shore, off-shore field operational experience with major global oil and gas corporations in various parts of the world. Mr. Madhavan started his career as a diver and welder at Vosper Thornycraft Shipyard operating in the shipbuilding industry. Mr. Madhavan would later join the Republic of Singapore Navy for a military career as a diving supervisor for a period of five (5) years. From 1980 to 1996, Mr. Madhavan had served in major oil and service companies in Africa, Southeast Asia, Middle East and Mediterranean like Amoco Eygpt, Atlantic Richfield, Oceaneering Int', Unocal Limited, and General Offshore Corporation/Hamstoft Submarine Cable Systems, a subsidiary of Cable & Wireless. In 2000, Mr. Madhavan became the executive director of Blue Water Engineering Pte Ltd, where he was responsible for managing the operations and business.

Mr. Madhavan was previously an Executive Director of GSS Energy Limited in 2015, an SGX-listed company in Singapore. Mr. Madhavan was also previously a Managing Director of the Company in 2018, where he was responsible for strategic development of the Group's business.

Mr. Madhavan's previous directorships also included stints at private companies at Java Petral Energy Pte Ltd, International Investments Technology Pte Ltd, and Nusantara Resources Pte Ltd. Mr. Madhavan is presently serving companies like Idola Cakrawala International Pte Ltd, Bumi Oriental Energy (Singapore) Pte Ltd (formerly known as White & Brown Holdings Pte Ltd), Ekamaro Sakti (S) Pte Ltd (formerly known as MOS Subsea Pte Ltd) and Blue Water Engineering Pte Ltd as a director.

Mr. Madhavan is a substantial shareholder of the Company, having a collective deemed interest of 5.5% of the ordinary shares in the Company.

KEY MANAGEMENT

MR CHARLES MADHAVAN

Executive Director and Chief Executive Officer

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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 its shares. He is responsible for overall operation and profitability of Mid-Continent Equipment Inc. (USA). He has a total of 26 years of oil & gas industry experiences in various capacities. Prior to joining Mid-Con, he worked for the 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.

SUSTAINABILTY REPORT

Message from the Board 102-14

At Magnus Energy Group Ltd. ("**Magnus**" or the "**Company**" and together with its subsidiaries, the "**Group**"), we believe in working towards a business that is not only profitable, but also one that makes a positive impact on our stakeholders and the environment.

The past year was an unprecedented and challenging one for the global economy, exacerbated by the novel coronavirus ("**COVID-19**") pandemic in early 2020. The Group continues to steer the business through the uncertainty and impact of COVID-19 and would not let these setbacks impact our commitment to sustainability, in working towards a cleaner and greener future. As part of our business diversification efforts, where the Group is also looking to venture into greener energies, the Board of Directors ("**Board**") of the Group together with Oriental EPC Private Limited ("**Oriental EPC**") had, through a third-party agent appointed by Oriental EPC, accepted a letter of offer from a state-owned enterprise in Indonesia on 16 July 2020 to assist with the construction of liquefied petroleum gas ("**LPG**") terminals in various parts of Indonesia. LPG is the third most used fuel globally and is cheaper, greener and cleaner compared to petrol and diesel.

In addition to the above, Magnus is cognisant of the need to strengthen our corporate governance, risk management and internal controls. Further, pursuant to the External Review Report and the issues raised therein, the Company is taking a comprehensive analysis of its corporate governance, risk management and internal controls and intends to strengthen these through implementation of the various recommendations in the External Review Report. The Company will be working closely with our auditors to improve the internal controls and has appointed a professional firm, Nexia TS Risk Advisory Pte Ltd ("**Nexia**") to assist the Company in the review and implementation of the recommendations of the External Review Report.

Magnus is also committed to promoting a positive and safe work environment for our employees, suppliers and the community. We also take steps to ensure the wellbeing and safety of our employees at work. This Sustainability Report would also highlight the steps taken by Magnus to improve the health and safety of our workers during this pandemic and mitigate the impact on other stakeholders.

This Sustainability Report has been drafted in respect of the identified Economic, Social and Governance ("**ESG**") factors which are material to our Group. It has been prepared in accordance with the latest Global Reporting Initiatives ("**GRI**") Standards: Core Option and is also in compliance with the SGX-ST Listing Rules 711A and 711B and the SGX Sustainability Reporting Guide. This Sustainability Report details our sustainability efforts and performance for the financial year ended 30 June 2020 ("**FY2020**").

Sincerely,
The Board of Directors
Magnus Energy Group Ltd.

SUSTAINABILTY REPORT

Magnus at a glance

Magnus is an investment holding company in Singapore[102-3] with a portfolio comprising oil and gas equipment distribution[102-2]. In 2020, the Company is looking to diversify its portfolio by collaborating with partners to enter into engineering, procurement and construction projects (the "**Proposed Diversification**"). The Company will make further announcements when there are any material developments in respect of the Proposed Diversification in compliance with the relevant provisions of the Catalist Rules, including but not limited to seeking such approvals as may be required, including approval from the shareholders and/or the authorities.

Incorporated in 1983 as a mechanical and electrical contractor

Listed on SGX in 1999

Headquartered in Singapore

Shifted focus to supply of equipment and spares in oil and gas industry in 2004

Magnus Sustainability Report

The GRI framework was chosen as it is a well-known and globally-recognised sustainability reporting standard.

REPORTING PERIOD

This report covers the sustainability performance of Magnus' businesses in Singapore for the period 01 July 2019 to 30 June 2020 ("**FY2020**").[102-50]

The previous Substainability Report was published in the Annual Report 2019. [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) Standards: Core option.[102-12,102-54]

We have not sought external assurance for this report.[102-56]

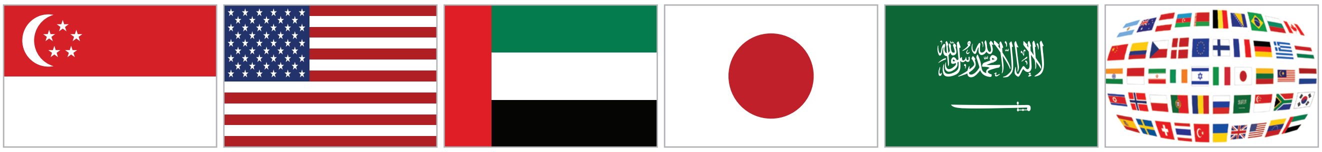
FEEDBACK

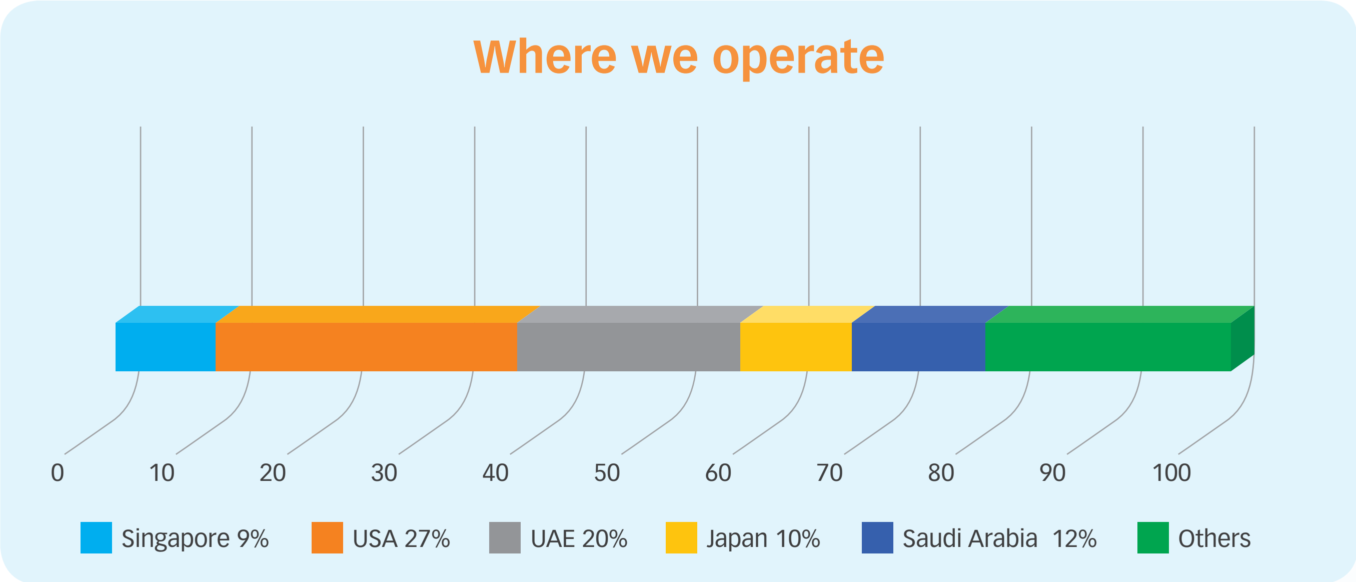
We welcome all feedback on this report. Please address all feedback and comments to us at info@magnusenergy.com.sg. [102-53]

SUSTAINABILTY REPORT

Where we operate

For FY2020, the Group had done business with customers spanning multiple continents across the globe, including Singapore, the United States of America ("**USA**"), United Arab Emirates ("**UAE**"), Japan, Saudi Arabia and others.102-4, 102-6





'Others' includes countries whose individual contributions do not exceed 5%.

Stakeholder Engagement102-43

Magnus works closely with our employees and various business partners to integrate our sustainability ambitions into our businesses.

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). In view of the External Review Report, the Company has appointed a professional firm to assist us in the review and implementation of the recommendations. We also proactively consult our Sponsor, and if necessary, the SGX RegCo, on the interpretation of the Catalist Rules and compliance with the announcement requirements.

The Company will strive to carry out proper checks to ensure that information disclosed in announcements are accurate, complete and substantiated and ensure that all material information are disclosed on the SGXNet and consult its Sponsor where required on what constitutes material information.

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.

SUSTAINABILTY REPORT

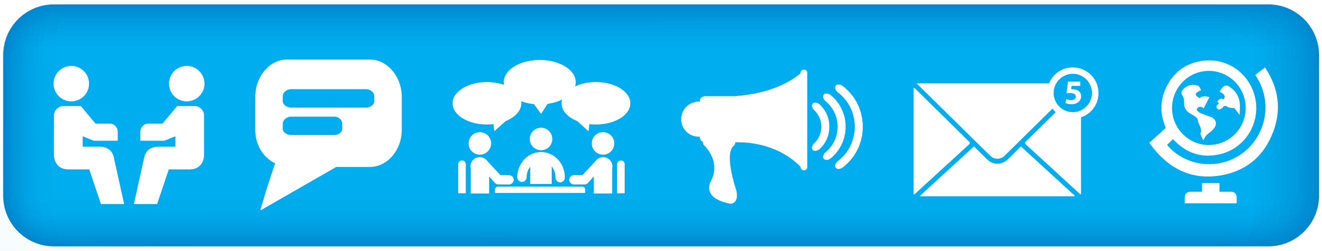
The Board and the Management shall provide timely business updates and corporate information to our shareholders via the following channels:

Shareholders' meeting / General meeting	Annual report	SGXNet	Company Website
• Annual general meeting • Extraordinary general meeting	• Uploaded yearly on our website and the SGXNet	• www.sgx.com • Announcements	• www.magnusenergy.com.sg

Materiality Assessment

Materiality Assessment Process *102-46, 102-47*

Through continuous dialogue with all our valued internal and external stakeholders, we have compiled a list of sustainability material topics that stakeholders are most concerned about. This list is periodically updated based on analysis of the changing concerns of our stakeholders. We utilise a range of avenues to understand the changing concerns of our stakeholders including face-to-face meetings, shareholder/general events, emails, feedback through our company website, and international/local issues in the news that impact our business.



The following shows the methodology of our materiality assessment process:

1. *Using the GRI issues indicators as a guideline, we identify the potential ESG issues*
2. *We analyse the concerns and views of all stakeholders received.*
3. *We identify the top concerns across Magnus*
4. *We assess our risk management and operational procedures based on the concerns raised*

SUSTAINABILTY REPORT

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

Our stakeholders are identified + We collect information via email feedbacks from our stakeholders and also from meetings + The feedback is consolidated and several key issues are identified = Incorporation of key issues into strategic and operation planning

We have organised stakeholders in the countries where we have significant business presence in, into five (5) groups in order to ensure that we have diverse viewpoints on how we can contribute to the community effectively (partners, employees, suppliers, government agencies, and communities) based on their core issues, and to better address their concerns with the aim of building enduring relationships with them.

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

No.	Stakeholder Groups	Their concerns	Our Responses
1	Shareholders/Investors	• Transparency • Timely updates • Investment risks and mitigation steps taken	• Magnus provides timely updates to our shareholders via SGXNet announcements and at our Annual General Meetings. • Magnus works closely with its internal auditors and Sponsor to address the issues raised by and the recommendations from the External Review Report published in August 2019 and strives to enhance the Group's corporate governance and risk management. • The Company has appointed external professional firms, such as Nexia, to enhance risk management, internal controls and to provide technical advice where necessary. • We have an ongoing process seeking manpower and professional service providers with the right expertise and skillsets in order to improve operational capability.
2	Employees	• To work in a conducive and pleasant environment • Opportunities for professional growth and career development • A safe work environment (especially in times of the COVID-19 pandemic)	• The Group's HR policies promotes a safe and fair working environment. Additional policies including working from home arrangements, social distancing guidelines and other safe workplace management measures were put in place to combat the spread of COVID-19. • We have a performance-based talent retention system, using a combination of quantitative and qualitative measures. • We promote lifelong learning, providing resources and opportunities for employees interested in further studies/professional training. The Company supports the staff and directors in both the provision of time off and reimbursement of the course fees.

SUSTAINABILTY REPORT

No.	Stakeholder Groups	Their concerns	Our Responses
3	Business partners and suppliers	• Durable and lasting business relationship • Opportunities for cross-industry business collaborations in other projects	• The Group emphasises on fair and ethical procurement practices while cultivating our relationships with existing suppliers. • We hold frequent in-person (on-hold due to COVID-19) and virtual meetings with our business partners and suppliers to pursue mutually beneficial business opportunities.
4	Government agencies	• Compliance with local laws and regulations • Environmental issues and waste management	• Our internal policies adhere to rules and laws applicable to the group, ensuring that our operations comply with existing laws and regulations in place. • We aspire to minimise our environmental footprint and adhere to all environmental laws locally.
5	Charities and communities	• Support for social welfare and community care	• We target to contribute to both charitable causes and not-for-profit organizations once the Company becomes profitable.

Material Topics

The table below lists the material topics we have identified for our sustainability reporting based on the significance of our ESG impacts and the degree of influence they have on stakeholder assessments and decisions. [102-47]

Material Aspects	Material Topics	Mapped GRI Standards	Page Reference
Economic	Economic Performance	GRI 201 - Economic Performance	Pages 74-140
Governance	Anti-Corruption and Fraud Prevention	GRI 205 - Anti-Corruption	Pages 16-17
Social	Fair Employment Practices	GRI 401 - Employment	Pages 18-20
		GRI 405 - Diversity and Equal Opportunity	Pages 18-20
		GRI 406 - Non-Discrimination	Pages 18-20
	Occupational Safety	GRI 403 - Occupational Health and Safety	Page 20
	Staff Training	GRI 404 - Training and Education	Pages 19-20
	Workforce Statistics	GRI 401 - Employment	Pages 18-20
		GRI 405 - Diversity and Equal Opportunity	Pages 18-20
	Fight Against International Forced/Child Labour	GRI 408 - Child Labour	Page 20
		GRI 409 - Forced or Compulsory Labour	Page 20

Our Strategy & Sustainability Approach

The Board [102-19] retains the obligation in overseeing and driving the Group's sustainability strategic direction with regards to ESG factors. The Group's management regularly reviews the strategy based on stakeholder concerns and changes to local/international economic and geopolitical factors that may impact the Group. Management would keep the Board apprised of any material changes to the sustainability performance(s) or policy(ies).

SUSTAINABILTY REPORT

Our Sustainability Commitment

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

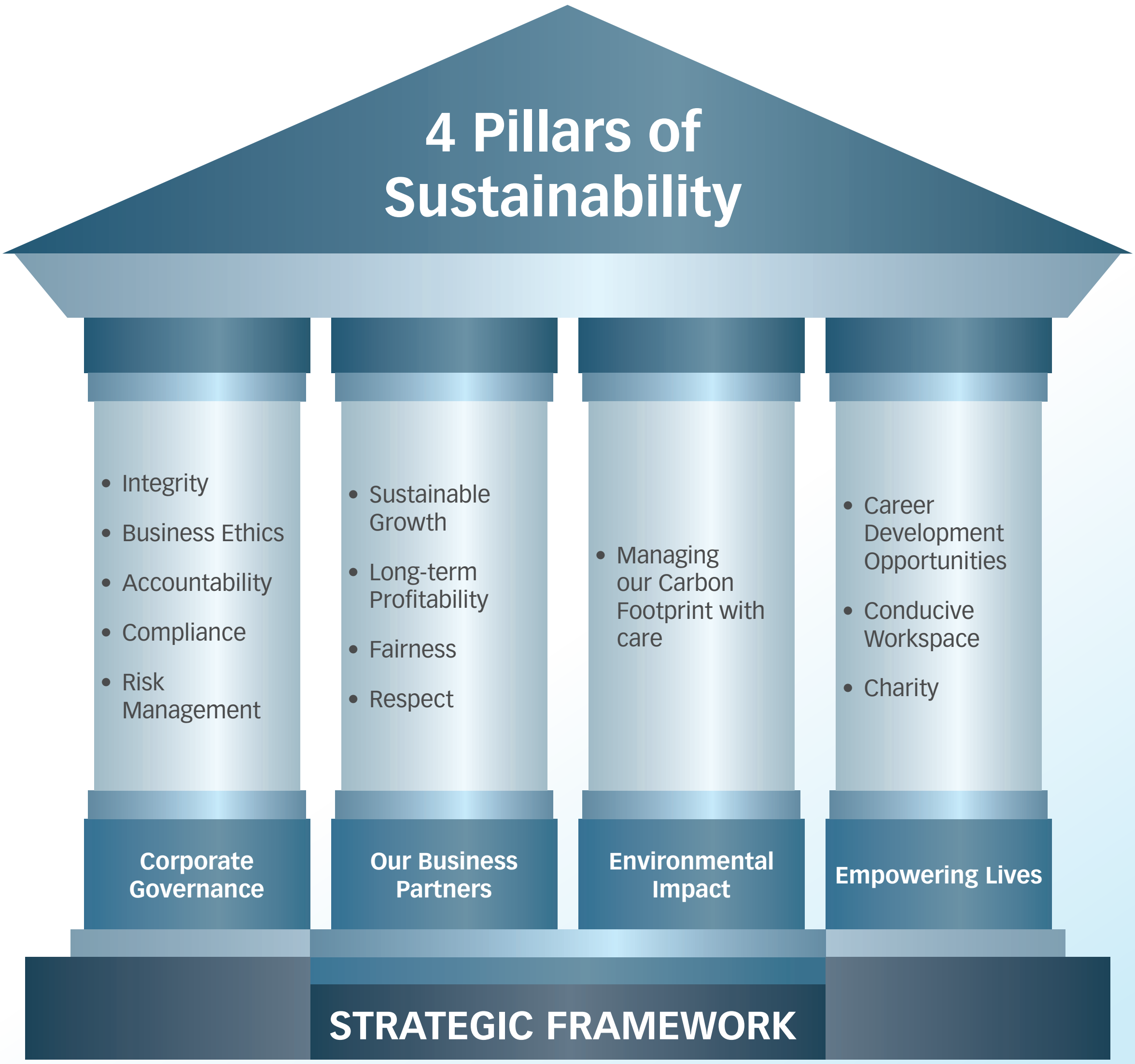
The Board has considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of the material ESG factors.

The Board and Management is of the view that an adequate 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. We did not obtain external assurance for our Sustainability Report. We have relied on internal checks for the accuracy of the Sustainability Report. Our Financial Statements have, however, been independently audited. We aim to progress the Sustainability Report towards obtaining external assurance in the future, making progressive improvements to our reporting process.

Sustainability Framework 102-29

Magnus' strategy framework focuses on four key pillars:



SUSTAINABILTY REPORT

How we conduct our business 102-16:

Risk management

Nimble and flexible approach towards new oppotunities and mitigation of risk from fluctuating oil prices. By careful planning, we aim to mitigate future risks and take advantage of new opportunities that may arise.

Stakeholder engagement

Communicaton through multiple avenues. Analysis and implementation of relavent and applicable feedback into business plans and actions.

Responsible management

Consistant monitoring and review of operations and processes to maximise resource utilisation and minimise enviromental impact.

Corporate Governance

Corporate governance and risk management are 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 cognisant of the need to have sound 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 2018 ("**Code**").

It is also to be highlighted that the Company is in the midst of reviewing the issues and recommendations as highlighted in the External Review Report and is cognisant that an implementation of the recommendations would be essential for the enhancement of the existing policies, system of internal controls and risk management, while handling new risks arising from COVID-19.

Anti-corruption and Fraud Prevention *103-1, 103-2, 103-3,205*

Magnus has a multi-pronged approach to address corruption. Preventive controls begin from the top through shaping a culture of accountability and responsibility among directors, employees and business partners. The Group has a zero-tolerance policy towards all forms of fraud, corruption, bribery and corruption. Magnus commits to conduct business with integrity, business ethics and in compliance with laws and regulations.

Magnus has also implemented several layers of preventive and detective measures at all levels of the Group through a system of internal controls including:

- Accounting Internal Controls: Reduce the risks of fraud in accounting transactions.
- Whistleblowing Policy: Stakeholders, including employees and interested parties, are encouraged to voice their concerns over any observation of perceived unethical behaviour, improper practices, or alleged wrongful conduct directly to the Chairman of the Audit Committee ("AC") through the whistleblowing form made available on our Company's website. Whistleblowing policy is put into place to protect genuine whistle-blowers from any unfair treatment as a result of their report.
- External Review Report: The Board commissioned the report published on 23 August 2019, which highlighted areas for improvement regarding the Groups internal controls, risk management, and corporate governance practices.

SUSTAINABILTY REPORT

Past year performance

The External Review Report has highlighted a few aspects of the Company's corporate governance, internal controls and risk management that can be improved on, which the Company is currently reviewing the issues raised and recommendations highlighted therein with the assistance of an external professional firm, Nexia and has had no reported confirmed incidents of corruption. 205-3

Looking ahead

Magnus plans to:
- Adhere strictly to the latest guidelines of the Code.
- Address the concerns and recommendations of the External Review Report (with the assistance of appointed professional firm, Nexia, if necessary) to improve and revise on current policies and internal controls.
- Work closely with its legal advisors, auditors and/or Sponsor, when in doubt, on the relevant disclosures in its announcements, annual reports and other public documents.

Our Business Partners 102-9, 103-1, 103-2, 103-3

The Group's 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 to 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.

Within the Group, operating subsidiaries makes assessment of their customers' and suppliers' track record, quality of services, reputation and past years' financial reports. This is to ensure the work and service provided to the Group are of high quality and that the customers and suppliers are reliable and trustworthy. Frequent communication and continuous engagement between Magnus and our business partners have helped to establish a mutual understanding and strengthen trust.

Due to the impacts of COVID-19, we have changed our approach on interacting with current and potential business partners to be via virtual means i.e. Zoom meetings.

Past year performance

As highlighted in the External Review Report, the Company has met with issues with some of our business partners failing to fulfil their contractual obligations. The Company is currently working with relevant professionals to look at possible ways of recovery.

All final contracts and agreements for upcoming projects will be drafted and reviewed by the local legal advisors appointed by the Company to ensure the validity of the contract and also, to protect the Company's interest and reduce any risks to the Company.

To avoid losses from poor investment decisions such as the investment with Thames Capital and the microalgae project, the Company will engage external professional advisors to conduct due diligence checks on parties in which the Company intends to invest in. For the current financial year, the Company does not have any investments. For the upcoming projects as part of the Proposed Diversification, the Company will mainly be engaged as a service provider for the different projects and has no intention nor the funds to invest.

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
- Appoint professional advisor to assist in due diligence checks on its contractual counterparties

SUSTAINABILTY REPORT

Environmental Impact 102-10, 102-49

During FY2020, Magnus winded-up subsidiary, Mid-continent Environmental Projects Pte Ltd and disposed joint-venture, MEP Waste Management Sdn Bhd. These entities were involved in environmentally sustainable business ventures including microalgae farming. With the closure of these entities, Magnus would not be reporting any statistics on the following GRI standards as stakeholders have rated them of low influence towards their decision-making process:

1. GRI 302 Energy
2. GRI 305 Emissions
3. GRI 307 Environmental Compliance

However, Magnus remains committed in reducing our carbon footprint and maintaining an eco-friendly workplace through the following waste management and recycling practices.

- 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 Report from our website instead of printing and mailing hard copies of the Annual Report to all shareholders. However, shareholders who so wish to request a physical copy of the Annual Report may send their request via the feedback form on our website or fill up the physical request form and return it to Magnus by post
  - 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

Looking ahead

Magnus plans to:

- Continue to adhere to environmental laws and regulations in the countries we operate in
- Maintain a penalty-free record on environmental laws and regulations
- Set realistic targets for energy and water reduction across our operations once we have incorporated the USA subsidiaries into our sustainability reporting
- To develop formal selection assessment that incorporates ESG factors

Empowering lives

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

Fair Employment Practices

At Magnus, we are proponents of valuing our employees, treating all equally, with dignity and respect. We provide employees an environment free from discrimination to thrive, with equal opportunities for professional development based on meritocracy regardless of gender, race, religion, age, or marital status with a no tolerance policy towards discrimination of any kind 405-1, 406-1. We support the diversity of skills, age, gender and race in the work-place, and strongly believe this leads to diversity of ideas through the varied lived experiences promoting more flexible and open-minded approaches to decision making.

We are transparent and open with our hiring practices. Our employment contracts provided to employees has fair employment conditions in compliance with local and national laws and regulations. Employees belonging to the "pioneer generation are provided the opportunity to stay gainfully employed in Magnus so long as they remain medically fit and are able to perform their work satisfactorily. 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 promotes fair employment practices to create an environment free from discrimination.

SUSTAINABILTY REPORT

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 welcome to continue working in Magnus as long as they are medically fit and can perform their work satisfactorily.

Our full-time employees are provided full time benefits such as paid annual leave, sick leave, and parental leave in accordance with the laws and regulations in the countries we operate in. 401-2, 401-3

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

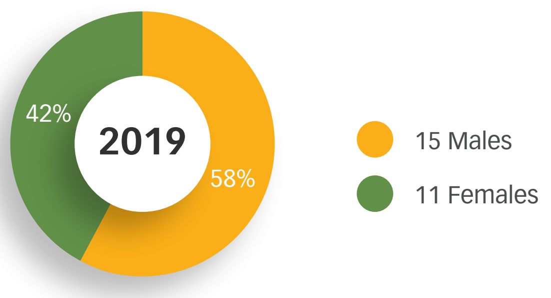
We advocate lifelong learning and continuous skills upgrading for our employees to realise their full potential and contribute towards the sustainable growth and prosperity of Magnus. We provide them with the proper tool to achieve this in the form of funding trainings and seminars in-relation to their job scope. All employees are provided with opportunities to maintain and develop workforce skills and competencies, through participation in trainings and seminars. The costs are borne by Magnus as the company benefits from increased productivity and better skilled employees when they realise their potential.

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

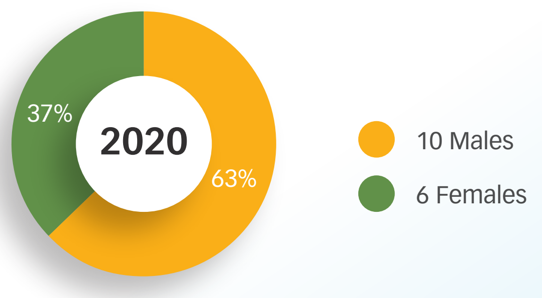
The headcount of the Group is carefully monitored for workforce optimisation, to commensurate working capacity with business activity level. The charts below document the changes to the Group's workforce and diversity from FY2019 to FY2020 and the impact of the Group's diversity efforts for the year.

	2017	2018	2019	2020
No. of regular employees as at financial year end (30 June)	53	44	26	16
Employees working in their home country	83%	86%	81%	81%

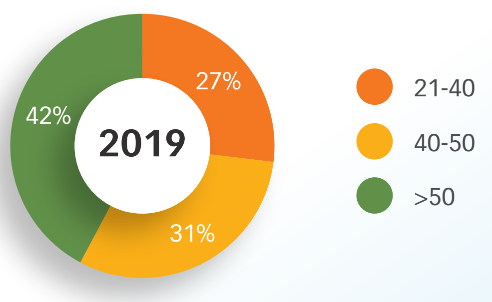
Percentage of Employees by Gender 2019



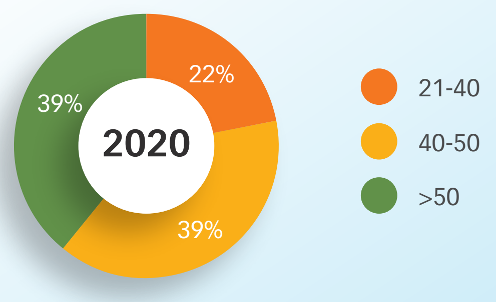
Percentage of Employees by Gender 2020



Percentage of Employees by Age Group 2019



Percentage of Employees by Age Group 2020



SUSTAINABILTY REPORT

Past year performance

Subjected to approval, staff are welcomed to apply for courses which are beneficial to their current job scope or self-development. For FY2020, no staff (other than Directors attending Singapore Institute of Director courses) has applied for any courses or seminars. Magnus is satisfied that its management has complied with fair employment practices as well as ensuring a good diversity in the current employment.

Looking ahead

Magnus plans to:
- Put in place continuous efforts 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. The Company aims to provide a minimum of two (2) training hours per employee for the financial year ending 30 June 2021.

Occupational Safety 103-1,103-2, 103-3 403-2

With COVID-19 still raging across the globe, the Group would like to emphasise on the health, safety and wellbeing of our employees, together with the additional safety measures in place. It is Magnus's objective in providing a safe and conducive work environment for all employees.

In our workplace, Magnus adheres to the safety guidelines recommended by the Ministry of Manpower Singapore. Amidst the COVID-19 pandemic, our employees are encouraged to work from home wherever it is practicable.

Magnus ensures that all employees and contractors adhere to local health and safety standards and requirements. The Group also oversees the subsidiaries, monitoring their compliance with Occupational Health and Safety Assessment Series (OHSAS) safety standards through key management personnel of the respective subsidiaries overseeing the design and implementation of workspace safety measures. The safety measures we have put in place include the following:

- Adequate social distancing and mandatory mask wearing at the workplace
- Adherence to local workplace regulations in response to COVID-19
- First aid kits located strategically around the workplace.
- Regular fire response training coupled with periodic fire drills

Past year performance

We are pleased to report that there were no incidences of workplace injuries and accidents requiring medical treatment beyond minor first-aid. In-addition there were no confirmed locally transmitted COVID-19 cases that originated from our workplaces.

Looking ahead

Magnus aims to continue protecting our workforce through maintaining zero instances of workplace injuries and continuous monitoring of the Global COVID-19 pandemic, adhering to the advice of medical professional regarding workplace safety.

Fight Against International Forced/Child Labour 103-1,103-2, 103-3, 408, 409

The Group takes a strong stance against underage labour and forced labour. We are fortunate to be within an industry with low risk of such occurrence. In addition, the Group insists that our subsidiaries and business partners comply with the labour regulations in the countries of operation.

Past year performance

The Group is satisfied that there has been no reported instances of underage labour or exploitative labour practices within the Group's or our business partners' operations.

Looking ahead

The Group continues to support the global abolition of child labour or other exploitative labour practices, in accordance with the International Labour Office's Tripartite Declaration of Principles Concerning Multinational Enterprises and Social Policy.

SUSTAINABILTY REPORT

Charities and Communities 102-12

We view ourselves as part of the community, and value the importance of Corporate Social Responsibility ("**CSR**"). We encourage our employees to participate in volunteer work supporting charities and the community.

Past year performance

Unfortunately, due to continued losses and cost saving measures implemented by the Group, partially as a result of the economic shutdown globally due to COVID-19, Magnus did not perform any CSR work during FY2020.

Looking ahead

The Group plans to consider engaging in CSR activities such as volunteering activities and financial donations once the Group financial position improves.

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

Accurate and efficient risk management is integral for the long-term success of any corporation. At Magnus, the responsibility for governing the group's risks falls on the AC. The AC advises and consents during the planning and preparation of risk management framework, policies and guidelines by the Group's Management. Every quarter, the AC would meet with Management and review the Group's internal controls, new potential risk issues and areas for improvement.

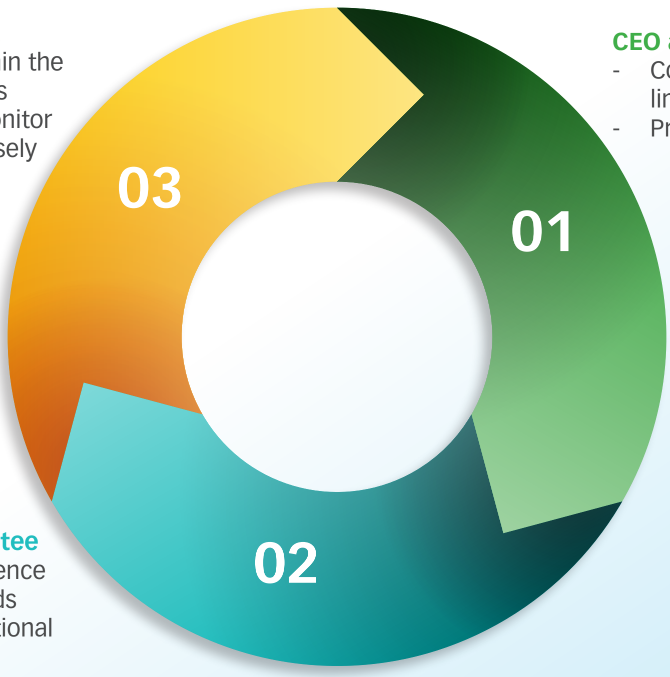
Magnus has engaged the internal auditors to conduct reviews of and provide feedback on Magnus' financial and operational risks and controls. The results of the annual review of Magnus' risk management and the auditors' recommendations are reported to the AC and the Management shall take actions based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

At the same time, the Company is in the process of reviewing and undertaking an analysis of the issues and recommendations raised in the External review Report and targets to address the issues and recommendations with the help of external parties such as our auditors to recommend improvements to internal controls. The Company had also appointed Nexia to address each issue and recommendation of the External Review Report.

In its Internal Audit Report, Nexia has found and highlighted several issues which are highlighted in our Corporate Governance report. Please refer to the Corporate Governance report on pages 28 to 62 for further information.

Description of roles in risk management process

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



CEO and Management team
- Conduct business within risk limits
- Prudent use of resources

Auditors and Audit Committee
- Review and ensure adherence to guidelines and standards
- Identify and assess operational weaknesses

SUSTAINABILTY REPORT

Risk	Explanation	Our Strategies
Energy price risks	Magnus is exposed to fluctuating energy prices, such as oil prices. Lower oil price will result in lower revenue in terms of business of provision of equipment for our USA subsidiary.	• To mitigate the risk of over reliance on oil prices, Magnus keeps a look-out for other feasible EPC projects to invest in and to reduce the reliance on one segment.
Investment risks	Magnus's investment risks relate mainly to capital investment on acquisitions or investments in business entities.	• The capital investment projects, including the selection of business partners, suppliers and contractors, should be subjected to appropriate due diligence, financial check procedures and internal selection criteria for the purpose of expenditure control. • Pursuant to the issues raised by and recommendations contained in the External Review Report, such as the recommendation to appoint professional advisors to assist in due diligence checks on its contractual counter-parties, and advise on the feasibility of current and future projects, structure and terms of current and future the transactions, the Company recognises that its proposed investment activities relating to acquisitions or investments in business entities requires the support and professional advice by the external professionals for specialised services such as conduct of due diligence and for risk management purposes.
Financial risks	Magnus's activities are exposed to a variety of financial risks including credit, foreign currency, market, interest rate and liquidity risks.	• 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. • For future projects and investments, the Company plans to appoint professional advisor to assist in due diligence checks on its contractual counter-parties, and advise on the feasibility of the project, structure and terms of the transaction.

SUSTAINABILTY REPORT

Past year performance

The External Review Report has highlighted certain aspects of our risk management and internal controls that needed to be improved on, which the Company is currently reviewing the issues raised and recommendations highlighted therein with the assistance of Nexia.

Looking ahead

Magnus plans to:

- Enhance our systems, processes and standards on how we manage risks to attract more investors
- Appoint professional advisor to assist in due diligence checks on its contractual counter-parties, and advise on the feasibility of the project, structure and terms of the transaction.

Financial Management

Magnus aims to continue implementing the recommendations in the External Review Report, demonstrating to stakeholders that the Group is committed to continuously enhancing our systems, processes and standards to meet the ever-evolving risks of a dynamic global economy and attract more investors.

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.

Details of the SGTI results for the year 2020 can be found in the link:

https://bschool.nus.edu.sg/cgio/research/singapore-governance-and-transparency-index/

The SGTI is a unified framework comprising two separate categories, namely the General Category and the Reit and Business Trust Category. Magnus Energy Group Ltd. is ranked under the General Category. For the General Category, the SGTI score has two components: the base score and the adjustment for bonuses and penalties. The base score for companies contains five sections ("**BREAD**"):

(1) Board responsibilities;
(2) Rights of shareholders;
(3) Engagement of stakeholders;
(4) Accountability and audit; and
(5) Disclosure and transparency.

The aggregate of bonuses and penalties is incorporated to the base score to arrive at the company's SGTI total score.

SGTI 2020 evaluated 578 Singapore-listed companies in the General Category. 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 2020 has improved from 52 points for the year 2019 to 58 points for the year 2020.

In reference to the External Review Report, Magnus is aware of the improvements that are needed to be made to its current corporate governance on transparency and also the accuracy of its announcements. The Company will work closely with its professional advisors and the Sponsor to ensure that the announcements will be accurate and in compliance with Catalist Rules and other relevant rules/regulations such as Companies Act as well as the timely disclosure of material information for transparency.

GRI
INDEX TABLE

GENERAL STANDARD DISCLOSURE

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE / ANNUAL REPORT SECTIONS / COMMENTS
Organisational Profile		
102-1	Name of the organisation	Magnus Energy Group Ltd
102-2	Activities, brands, products, and services	10
102-3	Location of headquarters	Singapore
102-4	Location of operations	10-11
102-5	Nature of ownership and legal form	Refer to group structure
102-6	Markets served	10-11
102-7	Scale of the organisation	Refer to group structure
102-8	Information on employees and other workers	18-19
102-9	Supply chain	17
102-10	Significant changes to the organization and its supply chain	18
102-11	Precautionary Principle or approach	11-14
102-12	External initiatives	Nil
102-13	Membership of associations	Nil
Strategy		
102-14	Statement from senior decision-maker	9
102-15	Key impacts, risks, and opportunities	21-23
Ethics and Integrity		
102-16	Values, principles, standards, and norms of behavior	16, Corporate Governance Report
102-17	Mechanisms for advice and concerns about ethics	21-23, Corporate Governance Report
Governance		
102-18	Governance structure	Board of Directors, Key Management and Corporate Governance Report
102-19	Delegating authority	14, 21
102-20	Executive-level responsibility for economic, environmental, and social topics	The Group did not appoint an executive-level position with responsibility for economic, environmental, and social matters.
102-21	Consulting stakeholders on economic, environment and social topics	13-14
102-23	Chair of the highest governance body and its committees	Corporate Governance Report
102-25	Conflicts of interest	Corporate Governance Report
102-29	Identifying and managing economic, environmental, and social impacts	14-21

GRI
INDEX TABLE

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE / ANNUAL REPORT SECTIONS / COMMENTS
102-35	Remuneration policies	Corporate Governance Report
102-36	Process for determining remuneration	Corporate Governance Report
Stakeholder Engagement		
102-40	List of stakeholder groups	13-14
102-41	Collective bargaining agreements	We adhere strictly to local employment laws and regulations.
102-42	Identifying and selecting stakeholders	13
102-43	Approach to stakeholder engagement	13-14
102-44	Key topics and concerns raised	13-14
Reporting Practice		
102-45	Entities included in the consolidated financial statement	Notes to the Financial Statement
102-46	Defining report content and topic boundaries	9-10
102-47	List of material topics	14
102-48	Restatements of information	No restatement
102-49	Changes in reporting	18
102-50	Reporting period	1 Jul 19 – 30 Jun 20
102-51	Date of most recent report	October 2019
102-52	Reporting cycle	Yearly
102-53	Contact point for questions regarding the report	Via feedback forms on Magnus website
102-54	Claims of reporting in accordance with the GRI standards	9-10
102-55	GRI Content Index	24-27
102-56	External assurance	No external assurance was sought for this report.
201 Economic Performance		
201-1	Direct economic value generated and distributed	Group Financial Report
201-4	Financial assistance received from government	Group Financial Report IRAS – wage credit scheme IRAS – Job Support Scheme In-principal approval from MIDA on reduction of corporate taxes for MMSB

GRI INDEX TABLE

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE / ANNUAL REPORT SECTIONS / COMMENTS
205 Anti-Corruption		
103-1	Explanation of material topic and its boundary	16-17
103-2	Management approach and its components	16-17, Corporate Governance Report
103-3	Evaluation of the management approach	16-17, Corporate Governance Report
205-3	Confirmed incidents of corruption and actions taken	17
401 Talent Attraction and Retention		
103-1	Explanation of material topic and its boundary	18-20
103-2	Management approach and its components	18-20
103-3	Evaluation of the management approach	18-20
401-1	New employee hires and employee turnover	19
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	18-19, Benefits are applicable to full-time, contract and part-time employees, but not for temporary staff. Variable incentives and flexible benefits may differ depending on individual contracts and performance.
401-3	Parental leave	18-19, Parental leave benefits are provided to employees in accordance with local laws and provisions of each country.
403 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	20
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities	20
404 Training and Education		
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
404-2	Programs for upgrading employee skills and transition assistance programs	19-20

GRI
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GRI REFERENCES	DESCRIPTION	PAGE REFERENCE / ANNUAL REPORT SECTIONS / COMMENTS
405 Diversity and Equal Opportunity		
103-1	Explanation of material topic and its boundary	18-20
103-2	Management approach and its components	18-20
103-3	Evaluation of the management approach	18-20
405-1	Diversity of governance bodies and employees	18-20
406 Non-Discrimination		
103-1	Explanation of material topic and its boundary	18-20
103-2	Management approach and its components	18-20
103-3	Evaluation of the management approach	18-20
406-1	Incidents of discriminations and corrective actions taken	18
408 Child Labour & 409 Forced or Compulsory Labour		
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	20
408-1	Operations and suppliers at significant risks for incidents of child labour	20
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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 (collectively, "Group") in accordance with the principles and guidelines set out in the Code of Corporate Governance 2018 ("Code") and where applicable, the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") ("**Catalist Rules**").

The Board of Directors ("**Board**" or the "**Directors**") recognises the importance of having good corporate governance to provide greater transparency and protection of the interests of the Company's shareholders. The Board works in collaboration with Management in achieving these objectives and Management is accountable to the Board.

The corporate governance report (the "**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 2020 ("**FY2020**"). Where there are any deviations from the Code, appropriate explanations have been provided.

It is also to be highlighted that the Company is in the midst of reviewing the issues and recommendations as highlighted in the External Review Report and is cognizant that an implementation of the recommendations would be essential for the enhancement of the existing policies, system of internal controls and risk management. In this regard, the Company has appointed a professional internal audit firm to assist the Company in the review and implementation of the recommendations.

1. BOARD MATTERS

THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

The Board with its best efforts and knowledge ensures that the needs of shareholders and stakeholders are addressed by setting standards and values to uphold the performance and integrity of both the Board and the Management. The Directors act objectively in the best interests of the Company and hold Management accountable for performance. In addition, the Board puts in place a code of conduct and ethics, sets forth an appropriate tone and desired organizational culture, and ensures proper accountability within the Company. Other than through emails, the Board communicates their concerns, expectations and enquiries in person during the meetings held throughout the year with the Management. Directors who face conflicts of interest are to disclose their interests and recuse themselves from discussions and decisions involving the issues of conflict. All 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.

Provision 1.1 of the Code

Directors are required to understand the Company's business as well as their directorship duties and roles. Further to this, Directors are provided with opportunities to develop and maintain their skills and knowledge. Where the Company appoints a Director who does not have any prior experience as a director of a listed company, the new appointee would be required to attend the mandatory training under the Listed Entity Director ("**LED**") Programme conducted by Singapore Institute of Directors ("**SID**"). In addition, the Company Secretary will bring to the Directors' attention, information on seminars that may be of relevance to them.

Provision 1.2 of the Code/Catalist Rule 406(3a)

The Board encourages its members to attend seminars organised by SID or 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

1. BOARD MATTERS (Continued)

In July 2020, Mr. Farooq Ahmad Mann ("**Mr Farooq**") and Mr. Charles Madhavan ("**Mr. Madhavan**") had attended and completed four (4) core modules under the LED Programme. In addition, Mr. Farooq had also attended the relevant elective modules in relation to his appointment on the respective Board Committees. Mr. Winston Milner ("**Mr. Milner**") has already signed up for the LED Programme. Mr. Michael Pixley ("**Mr. Pixley**") will sign up and complete the relevant training courses within 12 months from his date of appointment.

The details of the courses attended by the respective Directors are summarised in the table below:

Name	Course	Status
Farooq Ahmad Mann	LED 1 - Listed Entity Director Essentials	Completed: 16 July 2020
	LED 2 - Board Dynamics	Completed: 17 July 2020
	LED 3 - Board Performance	Completed: 17 July 2020
	LED 4 - Stakeholder Engagement	Completed: 20 July 2020
	LED 5 - Audit Committee Essentials	Completed: 20 July 2020
	LED 6 - Board Risk Committee Essentials	Completed: 21 July 2020
	LED 7 - Nominating Committee Essentials	Completed: 21 July 2020
	LED 8 - Renumeration Committee Essentials	Completed: 22 July 2020

Name	Course	Status
Charles Madhavan	LED 1 - Listed Entity Director Essentials	Completed: 16 July 2020
	LED 2 - Board Dynamics	Completed: 17 July 2020
	LED 3 - Board Performance	Completed: 17 July 2020
	LED 4 - Stakeholder Engagement	Completed: 20 July 2020

CORPORATE GOVERNANCE REPORT

1. **BOARD MATTERS (Continued)**

Name	Course	Status
Winston Milner	INSEAD International Director's Program (IDP) session briefing	Completed: 18 August 2020
	Webinar - Data breach management	Completed: 2 September 2020
	LED 1 - Listed Entity Director Essentials	Completed: 6 October 2020
	LED 2 - Board Dynamics	Completed: 8 October 2020
	LED 3 - Board Performance	Completed: 8 October 2020
	LED 4 - Stakeholder Engagement	Completed: 13 October 2020
	LED 5 - Audit Committee Essentials	Completed: 15 October 2020
	LED 6 - Board Risk Committee Essentials	Completed: 15 October 2020
	LED 7 - Nominating Committee Essentials	Signed up: 21 October 2020
	LED 8 - Renumeration Committee Essentials	Signed up: 21 October 2020
	Qualified LED (QLED) Test	Signed up: 10 November 2020

Provision 1.3 of the Code

The Board determines on matters that require its approval. 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 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 Management is informed of Board's approval and recommendations in writing such as emails, resolutions, and meetings where the Company Secretary minutes the proceedings of each meeting.

CORPORATE GOVERNANCE REPORT

1. BOARD MATTERS (Continued)

The Board has delegated specific responsibilities to three (3) Board Committees, namely, the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") to support its role and assist it in effectively discharging its duties. Each Board committee operates within its own clearly defined terms of references and operating procedures which are reviewed on a regular basis and enhanced as and when required to meet the changes in the regulations and other guidelines.

Provision 1.4 of the Code/Catalist Rule 406(3e)

The Company had ensured collective participation of all Directors when selecting Directors to the three Board Committees so as to maximise their effectiveness. All Board 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.

The Board meets at least quarterly to review and consider the Group's key activities, strategies, financial performance and 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.

Provision 1.5 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. Mr. Pixley, Mr. Farooq, Mr. Milner and Mr. Madhavan have meetings regularly at least twice a month to keep each other updated on ongoing matters.

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. Mr. Pixley and Mr. Milner were appointed after the financial year.

Name of Directors	Board		Audit Committee		Nominating Committee		Remuneration Committee		Annual General Meeting		Extraordinary General Meeting	
	No. of meetings											
	Held	Attend	Held	Attend	Held	Attend	Held	Attend	Held	Attend	Held	Attend
Kuek Eng Chye Anthony[1]	7	4	5	3	3	2	3	2	1	0	1	0
Ong Chin Yew[2]	7	4	5	3	3	2	3	2	1	0	1	0
Charles Madhavan[3]	7	4	5	3	3	2	3	2	1	0	1	0
Farooq Ahmad Mann[4]	7	0	5	0	3	0	3	0	1	0	1	0
Christopher O'Connor[5]	7	3	5	2	3	2	3	2	1	0	1	0
Kushairi Bin Zaidel[6]	7	2	5	2	3	1	3	1	1	1	1	0
Seet Chor Hoon[7]	7	2	5	2	3	1	3	0	1	1	1	1
Wee Liang Hiam[8]	7	3	5	2	3	1	3	1	1	1	1	0
Lee Chong Ping[9]	7	0	5	0	3	0	3	0	1	1	1	1
Ong Sing Huat[10]	7	3	5	2	3	1	3	1	1	0	1	0

CORPORATE GOVERNANCE REPORT

1. BOARD MATTERS (Continued)

Notes:

(1) Mr. Kuek Eng Chye resigned as an Independent Non-Executive Director of the Company on 24 June 2020.

(2) Mr. Ong Chin Yew resigned as Non-Independent, Non-Executive Director of the Company on 14 June 2020.

(3) Mr. Charles Madhavan was appointed as Executive Director on 9 January 2020.

(4) Mr. Farooq Ahmad Mann was appointed as Independent Non-Executive Director on 15 June 2020.

(5) Mr. Christopher O'Connor ceased being an Independent Non-Executive Director of the Company on 8 May 2020.

(6) Mr. Kushairi Bin Zaidel ceased being an Independent Non-Executive Director of the Company on 30 October 2020.

(7) Ms. Seet Chor Hoon ceased being an Independent Non-Executive Director of the Company on 9 January 2020.

(8) Mr. Wee Liang Hiam ceased as an Independent Non-Executive Director of the Company on 30 October 2020.

(9) Mr. Lee Chong Ping ceased as an Independent Non-Executive Director of the Company on 9 January 2020.

(10) Mr. Ong Sing Huat ceased as Non-Independent, Non-Executive of the Company on 30 October 2020.

Provision 1.6 of the Code

The Constitution provides for the Directors to participate in Board meetings other than physical meetings, by means of teleconferencing or video-conferencing. Due to the Covid-19 situation, the Company has conducted meetings using video conferencing as much as possible.

Management provides the Directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable the Directors to make informed decision and discharge their duties and responsibilities. Before the commencement of each Board and Board Committee meeting, The Board is provided with agendas and detailed board papers at least two (2) weeks prior to the respective meeting(s), which includes pertinent details such as 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. In addition, Directors are entitled to request from Management, and would be provided with, such additional information as needed to make informed decisions and discharge their duties and responsibilities. Management shall provide the same in a timely manner.

Provision 1.7 of the Code

Directors have separate and independent access to the Management, the Company Secretary. The appointment and removal of the Company Secretary is a decision of the Board as a whole.

Directors may seek external advisers for independent legal and/or other professional advice, where necessary, and such expenses are borne by the Company.

CORPORATE GOVERNANCE REPORT

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

As at the date of this Report, the Board comprises of one (1) Executive Director and three (3) Independent Non-Executive Directors. The Independent Non-Executive Directors have no relationship with the Company, its related corporations, its substantial shareholders or officers that could interfere, or be reasonably perceived to interfere, with the Directors' independent business judgement in the best interests of the Company.

Provision 2.1 of the Code/Catalist Rule 1204(10B)

Name of Current Directors (as at the date of this Report)	Designation	Date of Appointment	Date of Last Re-election	AC	NC	RC
Farooq Ahmad Mann	Independent Non-Executive Director	15 Jun 2020	N.A.	Chairman	Member	Member
Michael Grant Pixley	Non-executive Chairman and Independent Director	6 Aug 2020	N.A.	Member	Member	Chairman
Winston Milner	Independent Non-Executive Director	6 Aug 2020	N.A.	Member	Chairman	Member
Charles Madhavan	Executive Director and Chief Executive Officer	9 Jan 2020	N.A.	N.A.	N.A.	N.A.

Name of Former Directors (for FY2020)	Designation	Date of Appointment	Date of Cessation	AC	NC	RC
Kuek Eng Chye Anthony	Non-Executive Chairman and Independent Director	9 Jan 2020	24 Jun 2020	Member	Chairman	Chairman
Ong Chin Yew	Non-Executive Non-Independent Director	9 Jan 2020	14 Jun 2020	Member	Member	Member
Christopher O'Connor	Independent Non-Executive Director	9 Jan 2020	8 May 2020	Chairman	Member	Member
Seet Chor Hoon	Independent Non-Executive Director	15 Aug 2014	9 Jan 2020	Member	Member	Chairman
Lee Chong Ping	Independent Non-Executive Director	22 Nov 2019	9 Jan 2020	Chairman	Member	Member
Wee Liang Hiam	Independent Non-Executive Director	1 June 2019	30 Oct 2019	Chairman	Member	Member
Kushairi Bin Zaidel	Non-Executive Chairman and Independent Director	5 Nov 2012	30 Oct 2019	Member	Chairman	Member
Ong Sing Huat	Non-Executive Non-Independent Director	2 Nov 2015	30 Oct 2019	N.A.	Chairman	Member

CORPORATE GOVERNANCE REPORT

2. **BOARD COMPOSITION AND GUIDANCE (Continued)**

The Chairman of the Board is Independent and Non-Executive. There is a strong element of independence on the Board where the majority (75%) of the Board is made up of Independent Non-Executive 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.

Provision 2.2 & 2.3 of the Code/Catalist Rule 406(3)(c)

The Board has sought and obtained, on an annual basis, written confirmations from each of the current independent Directors that, apart from their office as Directors of the Company, none of them:

Catalist Rule 406(3d)

(i) is employed by the Company or any of its related corporations for the current or any of the past three (3) financial years;

(iI) has any immediate family member who is employed or has been employed by the Company or any of its related corporations for the past three (3) financial years, and whose remuneration is determined by the RC.

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

None of the Directors have served beyond nine (9) years on the Board.

In accordance with the Board diversity policy of the Company, during selection of new Board members, the Board strives to ensure that:

Provision 2.4 of the Code

(a) All candidates are included for consideration during the search for new appointments to the Board regardless of gender, age or ethnicity;

(b) Where possible, the Board strives for an appropriate mix of gender representation on the Board, taking into account the skills, knowledge and experience the candidates can contribute; and

(c) Any criteria to external search consultants when looking for suitable candidates for appointment to the Board will not preclude any gender or ethnicity.

There is adequate relevant competence on the part of the Directors, who, as a whole, carry an appropriate mix of diversity of skills as well as experiences and knowledge in different areas. The current Directors collectively have strong backgrounds in areas of accounting and finance, business and management, and corporate governance. Details of the academic, professional qualifications and experience of the Board can be found in the write-up on pages 6 to 7 on the 'Board of Directors' section of the Annual Report.

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.

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 of all stakeholders of the Group.

The Non-Executive and/or Independent Directors are also encouraged to meet regularly without the Management being present. The Independent Directors meet among themselves where necessary and provide feedback to the Board, Management and/or the Chairman after such meetings, where appropriate.

Provision 2.5 of the Code

CORPORATE GOVERNANCE REPORT

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

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

The Chairman and the CEO are held by the two (2) separate individuals where the position of Independent Non-Executive Chairman ("**Chairman**") and Chief Executive Officer ("**CEO**") are held respectively by Mr. Pixley and Mr. Madhavan, who is also an Executive Director. This is to ensure an appropriate balance of power and influence, increased accountability, and greater capacity of the Board for independent decision making. There is also no relationship between the Chairman and CEO.

Provision 3.1 of the Code/Catalist Rule 1204(10A)

The roles of the Chairman and the CEO are separate and distinct, each having his own areas of responsibilities. The Board establishes and sets out the division of responsibilities between the Chairman and the CEO. The Chairman is responsible for leading the Board and facilitating its effectiveness and ensuring effective communication with shareholders and other stakeholders, while the CEO is responsible for the conduct of the Group's daily business operations including strategic planning and business development.

Provision 3.2 of the Code

As the Chairman is deemed to be independent, no appointment of a lead independent Director was made for FY2020. Notwithstanding, the Chairman is available to shareholders where they have concerns and/or in the event that contact through the normal channels of CEO or Management has failed to resolve their concerns or for which such contact is inappropriate or inadequate.

Provision 3.3 of the Code

4. BOARD MEMBERSHIP

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

As at the date of this Report, the NC comprises the following members, all of whom, including the NC Chairman, are Independent Non-Executive Directors:

Provision 4.2 of the Code

- Winston Milner (Chairman)
  (appointed as a member and Chairman on 6 August 2020)
- Farooq Ahmad Mann (Member)
  (appointed as a member on 15 June 2020)
- Michael Pixley (Member)
  (appointed as a member on 6 August 2020)

For FY2020, the NC comprised the following members, the majority of whom, including the two (2) former NC Chairman, were Independent Non-Executive Directors:

- Kuek Eng Chye Anthony (Chairman) (Date of cessation: 24 June 2020)
- Ong Chin Yew (Member) (Date of cessation: 14 June 2020)
- Christopher O'Connor (Member) (Date of cessation: 8 May 2020)
- Seet Chor Hoon (Member) (Date of cessation: 9 January 2020)
- Lee Chong Ping (Member) (Date of cessation: 9 January 2020)

CORPORATE GOVERNANCE REPORT

4. **BOARD MEMBERSHIP (Continued)**

- Kushairi Bin Zaidel (Chairman) (Date of cessation: 30 October 2019)
- Wee Liang Hiam (Member) (Date of cessation: 30 October 2019)
- Ong Sing Huat (Member) (Date of cessation: 30 October 2019)

The NC Chairman 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 a particular skillset or expertise, 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, amongst others, as follows:

Provisions 1.4 and 4.1 of the Code

➢ review of succession plans for Directors, in particular, the Chairman, the CEO and key management personnel;

➢ develop a process and criteria for evaluation of the performance of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board;

➢ review and recommend training seminars and professional development programs for the Board and its Directors;

➢ 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 independence guidelines contained in the Code; and

➢ review and decide if a Director, who has multiple board representations, is able to and has been adequately carrying out his duties as a Director of the Company.

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.

CORPORATE GOVERNANCE REPORT

4. **BOARD MEMBERSHIP (Continued)**

Provision 4.3 of the Code/Catalist Rule 720(4)

The Company practices a formal process for the selection and appointment of key executives 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 doing so, 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 Company does not have any alternate Directors.

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. Through the Company's NC Terms of Reference and the relevant SID elective module course for NC members, the NC ensures that new directors are aware of their duties and obligations.

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 be subject to election by shareholders at the Annual General Meeting ("**AGM**") at the first opportunity after their appointment.

Catalist Rule 720(5)

Under Regulation 83 of the Constitution of the Company, 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. Pixley, Mr. Mann and Mr. Milner and Mr. Madhavan shall retire pursuant to Regulation 83 at the forthcoming AGM and have consented to re-nomination and re-election. For FY2020, the NC had recommended to the Board that Mr. Pixley, Mr. Mann, Mr. Milner and Mr. Madhavan be nominated for re-election at the forthcoming AGM. All of them have given their consent to continue in office.

Mr. Pixley will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Chairman of the Company, Chairman of the RC, as well as a member of the AC and the NC. Mr. Mann will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director of the Company, Chairman of the AC, and member of the NC and RC. Mr. Milner will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director of the Company, Chairman of the NC, and member of the AC and RC. Mr. Madhavan will, upon re-election as a Director of the Company, remain as an Executive Director and CEO of the Company.

Regulation 101(1) of the Constitution of the Company requires that one-third of the Directors retire by rotation at every AGM. For this financial year, this Regulation will not be applied as all directors will be undergoing re-election under Regulation 83.

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 provided in the 'Additional Information on Directors Seeking Re-election' section on pages 143 to 150 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.

CORPORATE GOVERNANCE REPORT

4. BOARD MEMBERSHIP (Continued)

Provision 4.4 of the Code

The Independent Directors have declared their independence for FY2020, in accordance with the revised independence guidelines contained in Provision 2.1 of the Code. Following its annual review, the NC has considered Mr. Pixley, Mr. Mann and Mr. Milner to be independent.

The Board considers the existence of relationships or circumstances, including those identified by the listing rules of the Singapore Stock Exchange and the Practice Guidance, that are relevant in its determination as to whether a Director is independent. Such relationships or circumstances include the employment of a Director by the Company or any of its related corporations during the financial year in question or in any of the past three financial years; a Director being on the Board for an aggregate period of more than nine years; the acceptance by a Director of any significant compensation from the Company or any of its subsidiaries for the provision of services during the financial year in question or the previous financial year, other than compensation for board service; and a Director being related to any organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services during the financial year in question or the previous financial year.

Provision 4.5 of the Code

Having regard to the circumstances set forth in Provision 2.1, the Directors disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. The Independent Directors have confirmed their independence and that they 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 substantial shareholders.

The NC is satisfied that sufficient time and attention are being given by the current Directors to the affairs of the Group and are of the opinion that the Directors are able to and have been adequately carrying out his duties as a Director, notwithstanding that some of the Directors have multiple board representations, and 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.

CORPORATE GOVERNANCE REPORT

4. BOARD MEMBERSHIP (Continued)

The list of Directorships or chairmanships held by the current Directors presently or in the preceding three years in other listed companies, and other principal commitments are set out in the table below and under "Additional Information on Directors Seeking Re-election" on pages 143 to 150:

Name of Director	Current directorships in other listed companies Current / Principal Commitments	Past directorships in listed companies in the preceding three (3) years
Michael Pixley	Other Listed Companies: 1. Credit Intelligence Ltd 2. Eneco Refresh Ltd 3. Story-I Ltd Principal Commitments: Nil	1. EVE Investments Ltd 2. Credit Intelligence Ltd
Winston Milner	Other Listed Companies: Nil Principal Commitments: 1. NBOGroup	Nil
Farooq Mann	Other Listed Companies: Nil Principal Commitments: 1. Mann & Associates PAC 2. MS Global Corporates Services Pte Ltd 3. Internet Society Limited	Nil
Charles Madhavan	Other Listed Companies: Nil Principal Commitments: 1. Idola Cakrawala International Pte Ltd 2. Bumi Oriental Energy (Singapore) Pte Ltd (fka White & Brown Holdings Pte Ltd) 3. Ekamaro Sakti (s) Pte Ltd (fka MOS Subsea Pte Ltd) 4. Blue Water Engineering Pte Ltd	1. Magnus Energy Group Ltd.

CORPORATE GOVERNANCE REPORT

5. BOARD PERFORMANCE

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole and that of each of its board committees and individual Directors.

Provision 5.1 of the Code

The NC is responsible for deciding how the Board's performance may be evaluated and proposes objective performance criteria, subject to the Board's approval, which addresses how the Board has enhanced long-term shareholders' value. The NC also recommends for the Board's approval the process for evaluating the effectiveness of the Board, each Board Committee, the contributions by the Chairman and each individual Director.

Provision 5.2 of the Code

The NC evaluates each Director based on the following review parameters, including, amongst others, the:

- attendance at Board / Board Committee meetings;
- level of participation at Board / Board Committee meetings;
- involvement with 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.

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. The BEF attempts to take into consideration performance factors for both at the Board's level and individual committees' level. 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 for FY2020. The Board shall continuously review the BEF to keep abreast of the performance measurement factors and to consider if additional factors are required for the Board, Board Committees' and individual Directors' assessments.

6. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6: The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual Directors and key management personnel. No Director is involved in deciding his or her own remuneration.

Provision 6.2 of the Code

As at the date of this Report, the RC comprises the following members, all of whom are Independent Non-Executive Directors, including the RC Chairman:

- Michael Pixley (Chairman)
  (appointed as a member and Chairman on 6 August 2020)
- Winston Milner (Member)
  (appointed as a member on 6 August 2020)
- Farooq Ahmad Mann (Member)
  (appointed as a member on 15 June 2020)

For FY2020, the RC had comprised the following members, all of whom were Non-Executive Directors, the majority of whom, including the former Chairman and Chairperson, were independent:

- Kuek Eng Chye Anthony (Chairman) (Date of cessation: 24 June 2020)
- Ong Chin Yew (Member) (Date of cessation: 14 June 2020)
- Christopher O'Connor (Member) (Date of cessation: 8 May 2020)
- Seet Chor Hoon (Chairperson) (Date of cessation: 9 January 2020)
- Lee Chong Ping (Member) (Date of cessation: 9 January 2020)
- Wee Liang Hiam (Member) (Date of cessation: 30 October 2019)
- Kushairi Bin Zaidel (Member) (Date of cessation: 30 October 2019)
- Ong Sing Huat (Member) (Date of cessation: 30 October 2019)

Provisions 1.4 and 6.1 of the Code

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

- 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
- administer the Magnus Energy Employee Share Option Plan ("**Magnus Energy ESOP**") and the Magnus Energy Performance Share Plan ("**Magnus Energy PSP**").

CORPORATE GOVERNANCE REPORT

6. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (Continued)

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

The RC is responsible for all aspects of remuneration, including termination terms. 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.

Provision 6.3 of the Code

The RC may seek independent professional advice if the RC deems it necessary to properly discharge its responsibilities. Such expenses are to be borne by the Company. During FY2020, no external remuneration consultants were engaged.

Provision 6.4 of the Code

7. LEVEL AND MIX OF REMUNERATION

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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 key management personnel and the Directors. The remuneration of the Directors and key management personnel are also structured to ensure that it is aligned with the interest of shareholders and other stakeholders, promote long-term success of the Company, and ensure that it reflects their duties and responsibilities.

Provision 7.1 of the Code

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 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.

Provision 7.2 of the Code

The Independent Non-Executive Directors are paid yearly in respect of the Directors' fees. There are no additional fees for serving as Chairman on each of the Board committees. The Independent Non-Executive Directors shall not be over-compensated to the extent their independence may be compromised and that it is appropriate to the level of their contribution, taking into account factors such as effort, time spent and responsibilities. These fees are subject to shareholders' approval at each annual general meeting of the Company.

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 which include Directors and key executives, 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 key management personnel with those of shareholders and link rewards to corporate and individual performance. There is no award granted for the financial year ended 30 June 2020.

Provision 7.3 of the Code

The Company does not have contractual provisions to allow the Company to reclaim incentive components of remuneration from key executives, in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company does not have any contractual profit-sharing scheme for the Directors and key executives.

CORPORATE GOVERNANCE REPORT

8. DISCLOSURE ON REMUNERATION

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

A breakdown, showing the level and mix of each individual Directors' remuneration and the CEO for FY2020 is set out below:

Provision 8.1 of the Code

Remuneration band and name of Directors	Salaries	Bonus	Director fees	Share Award	Other benefits	Total
	%	%	%	%	%	%
Directors - Below $250,000						
Farooq Ahmad Mann	0.0	0.0	0.0	0.0	0.0	0.0
Charles Madhavan	100.0	0.0	0.0	0.0	0.0	100.0
Kuek Eng Chye Anthony cessation date: 24 June 2020	0.0	0.0	100.0	0.0	0.0	100.0
Ong Chin Yew cessation date: 14 June 2020	0.0	0.0	100.0	0.0	0.0	100.0
Christopher O'Connor cessation date: 8 May 2020	0.0	0.0	25.0	0.0	75.0	100.0
Seet Chor Hoon cessation date: 9 January 2020	0.0	0.0	0.0	0.0	0.0	0.0
Lee Chong Ping cessation date: 9 January 2020	0.0	0.0	0.0	0.0	0.0	0.0
Kushairi Bin Zaidel cessation date: 30 October 2019	0.0	0.0	0.0	0.0	0.0	0.0
Ong Sing Huat cessation date: 30 October 2019	0.0	0.0	0.0	0.0	0.0	0.0
Wee Liang Hiam cessation date: 30 October 2019	0.0	0.0	0.0	0.0	0.0	0.0

A breakdown, showing the remuneration band of the top key management personnel of the Group for FY2020 is set out below:

Remuneration band and name of key management personnel	Salaries	Bonus	Director fees	Share awards	Other benefits	Total
	%	%	%	%	%	%
S$500,001 to S$750,000						
Maung Thein Htike	73.7	16.6	0.0	0.0	9.7	100.0
S$250,001 to S$500,000						
Luke Ho cessation date: 9 January 2020	49.2	7.9	0.0	0.0	42.9(1)	100.0
Up to S$250,000						
Jason Ong Wie(2)	55.4	6.9	26.8	0.0	10.9	100.0
See Leng Ean(3) cessation date: 30 August 2019	100.0	0.0	0.0	0.0	0.0	100.0
Tan Yew Meng(4) cessation date: 17 July 2019	42.0	0.0	0.0	0.0	58.0(5)	100.0

Notes:

(1) Leave encashment and salary in lieu of notice

(2) Jason Ong Wie's service contract ceased on 28 February 2020 and is no longer a key management personnel of the Group. However, he remains a director of Mid-Continent Group Equipment Pte Ltd.

CORPORATE GOVERNANCE REPORT

8. DISCLOSURE ON REMUNERATION (Continued)

Notes: (Continued)

(3) See Leng Ean was appointed as Group Financial Controller on 16 July 2019 and her date of cessation was 30 August 2019.

(4) Tan Yew Meng was appointed as Group Financial Controller on 2 June 2015 and his date of cessation was 17 July 2019.

(5) Leave encashment

Provision 8.2 of the Code

During the year under review, the spouse of the former CEO, Mr. Luke Ho Khee Yong, was employed as an administrative non-managerial role in the Company whose annual remuneration was less than S$50,000. Save for this there was no employee whose remuneration exceeded S$100,000, who was related to a Director or the CEO, or a substantial shareholder of the Company.

Provision 8.3 of the Code

The Board is aware of and supports the need for transparency. However, after taking into consideration 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, the Board has decided not to disclose the exact details of the remuneration of each individual Director and key management personnel. The Board is of the view that full disclosure of the specific remuneration of each individual Director and the Group's key management personnel (who are not Directors) is not in the best interest of the Company and therefore shareholders. In view of the aforementioned, 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, and that it will not be prejudicial to the interests of the shareholders and is in line with Principle 8 of the Code. In FY2020, the aggregate remuneration paid to the Directors was approximately S$0.79 million and to key executives for the Group was approximately S$0.31 million.

There was a one-time lump sum payment of professional fees of S$30,000 to former Independent and Non-Executive Director, Mr. Christopher O'Connor, as announced by the Company on SGXNet on 25 June 2020. There was also a payment of approximately S$119,000 as leave encashment and salary-in-lieu of notice which was paid out to Mr. Luke Ho before 9 January 2020. Saved for the aforesaid, there is no other termination, retirement and post-employment benefits that was granted to Directors and key executives. The Directors and key executives are paid based on a fixed schedule of fees and salaries respectively.

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

Subject to approval by shareholders at the forthcoming AGM, the RC has recommended that the Independent Directors be paid an aggregate fee of S$130,000 for the financial year ending 30 June 2021, to be paid monthly in arrears, to be tabled at the AGM for approval by the shareholders.

Catalist Rule 851(2) / Catalist Rule 1204(16)

Long-term incentive schemes are provided in the form of Magnus Energy ESOP and Magnus Energy PSP for eligible employees and non-executive Directors of the Company and the Group. Details of the Magnus Energy ESOP grant and Magnus Energy PSP awards are disclosed in the Directors' Statement.

No share awards or share options have been granted in FY2020 under the Magnus Energy PSP and the Magnus Energy ESOP respectively to the Directors, key management personnel and employees of the Company. There were no outstanding share options as at 30 June 2020.

CORPORATE GOVERNANCE REPORT

9. RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

The Board determines the nature and extent of the risks which the Company is willing to take in achieving its objectives and value creation. The overall governance of risks is subsumed into the AC. If required, the Board will endeavour to set up a separate risk management committee to specifically address any particular risks and issues.

Provision 9.1 of the Code

Given that the Company does not have a financial controller and/or CFO as at the date of this Report, the CEO has provided assurances to the Board:

Provision 9.2 of the Code/Catalist Rule 1204(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 and effective in addressing the financial, operational, compliance, information technology controls and risk management systems throughout the financial year and up to the date of this Report.

Notwithstanding the absence of a financial controller and/or CFO, the Board would like to reassure the Shareholders that the Company has sufficient manpower resources and plans to meet the requirements of the financial management of the Company. The deviation from the guideline for FY2020 is due to the Company not having a financial controller and/or CFO.

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 the Company's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks through discussions on the operations of the businesses.

The internal auditors ("**IA**") reviews all significant policies and procedures, and highlights all significant matters to the Board and the AC.

The annual internal audit review was commissioned to assess the operating and internal control protocols of the Group. The aforementioned review was conducted by Nexia TS Risk Advisory Pte Ltd ("**Nexia TS**"). Nexia TS has highlighted four (4) high risks issues and nine (9) moderate risks issues for the Group. The Company will review the IA's recommendations and targets to address all issues highlighted in the report by implementing new policies or standard operating procedures or taking the recommended action to rectify the issues the soonest. Having taken into consideration the findings of the annual internal audit review, the Board and AC have identified the following material weaknesses and the steps taken by the Company to address them are as follows:

Catalist Rule 1204(10)

CORPORATE GOVERNANCE REPORT

9. RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Risk Rating	Audit Finding	Recommendations by Nexia TS	Comments / steps taken by the Company
High	Executive duties were inappropriately assigned to previous Independent and Non-Executive Directors. Nexia TS had noted that Independent and Non-Executive Directors performing executive duties might result in situations of conflict of interests which would make it difficult for them to discharge their duties as Directors effectively.	Going forward, management should make sure that Independent and Non-Executive Directors are not assigned executive duties which may lead to independence issues and potentially rendering checks and balances ineffective.	<u>Management Comments</u> As there was only one Executive Director and no CFO, the only option was to have the IDs and NINED to be signatories for the bank accounts and approvals. As they are also on the Board of Directors ("**BOD**") of the subsidiaries, which are private limited companies and therefore are Executive Directors. <u>Action Plan</u> Management notes that this was an exceptional circumstance and confirms that it does not expect nor involve INEDs in executive tasks including the tasks as stated alongside. <u>Expected Implementation Date</u> Immediate – September 2020. <u>Person Responsible and Position</u> Group CEO
	Investigations were not performed for the impersonation of an employee of Mid-Continent Equipment Group Pte. Ltd. ("**MEGPL**") by an unknown party using fraudulent email.	We recommend that management take the following actions: 1. Update the Sponsor and provide the relevant information where required;	<u>Management Comments</u> MEGPL is now a non operating company as it had sold its businesses to MTQ Ltd. As this is the case, we do not see any further action that needs to be done to correct the IT fraud issue.

CORPORATE GOVERNANCE REPORT

9. **RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)**

Risk Rating	Audit Finding	Recommendations by Nexia TS	Comments / steps taken by the Company
High	Nexia TS had noted that not identifying the root cause or conducting investigations for fraudulent impersonation of company employees may result in further occurrences of "man-in-the-middle" attacks and possible leak of confidential information (such as product information, price lists, sales margin computations, etc.) which may cause financial and adverse reputational damage to the Group.	2. Assess if an announcement is required and to do so at the soonest; and 3. Assess if remedial action, such as a cybersecurity review needs to be taken on all existing systems within the Group	Action Plan Management will review and consider updating its IT policy to include a cyber security protocol to ensure that in such incidences, an investigation is initiated and remedial actions, if required, are carried out. Expected Implementation Date Immediate – September 2020. Person Responsible and Position Group CEO
High	Certain legal services procured by Blue Water Engineering Pte Ltd ("**BWEPL**"), of which the CEO is a director and a 50% shareholder of, prior to his appointment and amounting to an aggregate of approximately S$8,000 were charged to the Company. As BEWPL is an associate of the CEO, this reimbursement by the Company to BWEPL constituted an interested person transaction ("**IPT**") which was not disclosed or updated in the Company's IPT register previously. Nexia TS had noted the following:	We recommend the following: 1. Management should ensure that the Finance Manager is notified for all IPTs going forward and these transactions should be recorded in the IPT register and to be reviewed by the Board and the Audit Committee;	Management Comments In respect of (A), assuming that the reimbursement is deemed to be an IPT under Chapter 9 of the Catalist Rules, the reimbursement amount and the aggregate amount of all IPTs entered into with the CEO and his associates as the same interested person during FY2020 is still less than S$100,000.

CORPORATE GOVERNANCE REPORT

9. RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Risk Rating	Audit Finding	Recommendations by Nexia TS	Comments / steps taken by the Company
	(A) a non-disclosure of an IPT and the lack of sufficient checks and balances on payments may lead to ineffective internal controls and inappropriate payments as well as potential breaches of the Catalist Rules by the Company; (B) as there was no court order assigning costs, the right to claim costs may not have been conclusive; and (C) the CEO should not have been an approver for the payment of an IPT notwithstanding that the payment was approved by another Independent Director and a Non-Independent Non-Executive Director.	2. In the event where the IPT fulfils the criteria for an announcement, Management should update the Sponsor and make appropriate disclosure; and 3. For the Group CEO to consider the restitution of the sum of S$8,014.70 as it was not certain that costs would be awarded. When that happens, BWEPL should re-submit the claim to MEGL and the payment should be approved by the Independent Directors on an exceptional basis and not by the Group CEO as he is an "interested party". In the absence of a court order, the deliberations, decision and subsequent approval (if granted) should be properly documented	Accordingly, the Company notes that the relevant requirements under Chapter 9 of the Catalist Rules would not be applicable. The payments relate to the CEO's claims for out-of-pocket expenses incurred as a shareholder prior to being appointed as a Director and CEO of the Company, in relation to legal services procured in connection the derivative action taken out against the previous Directors of the Company. In respect of (B) and (C), the Board notes and has considered two letters received by the Company from its law firm, Eldan Law LLP, opining, among others, that the amount was a reimbursable item which arise from the 216A suit against the former Directors and the former CEO. <u>Action Plan</u> Management takes note of the special circumstances which gave rise to this situation. Going forward, Management will ensure that the Company or an entity of the Group is the party which enters into any agreement of provision of goods and services to the Group.

CORPORATE GOVERNANCE REPORT

9. RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Risk Rating	Audit Finding	Recommendations by Nexia TS	Comments / steps taken by the Company
			1. The Company's lawyers, Eldan Law LLP, are of the view that there was no transaction between the Company and BWEPL as an "interested person" under 904(5) of the Catalist Rules as the provision of the legal services by Peter Doraisamy LLC was to BWEPL and not to the Company. Accordingly there would be no provision of any or receipt of goods or services between the Company and BWEPL under 904(6)(c) of the Catalist Rules. Eldan Law LLP has further noted that BWEPL was one of the four 4 Plaintiffs in the Section 216A action (commenced in December 2019), and the point of the Section 216A action was to obtain leave of the Court to bring an action, in the name of the Company, against the former directors and officers of the Company. In the event the 216A action and the subsequent suit against the directors and officers be successful, the benefit would

CORPORATE GOVERNANCE REPORT

9. RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

Risk Rating	Audit Finding	Recommendations by Nexia TS	Comments / steps taken by the Company
			inure to the Company and consequently, all the shareholders of the Company, and not only BWEPL. Based on the above, Management felt that this is a reimbursement and not an IPT transaction. Hence, no announcement was required. 2. The Independent Directors have considered the matter of the reimbursement as well as the view of the Company's lawyers, and are of the view that it should not be deemed as an IPT. The Independent Directors have also considered that the expenses incurred for the said legal services are below the materiality point. However in consideration of the IA's findings and recommendations, the Independent Directors are of the view that the recommendations of the IA should be complied with. Notwithstanding, the Group CEO will not be making restitution as he is of the view that it is a reimbursement

CORPORATE GOVERNANCE REPORT

9. **RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)**

Risk Rating	Audit Finding	Recommendations by Nexia TS	Comments / steps taken by the Company
			3. Finance Manager will take note of all future possible IPT transactions and highlight to the CEO and Board. Similarly, the CEO and Board will also notify the Company in a timely manner should they enter into IPT transactions Expected Implementation Date Immediate – September 2020. Person Responsible and Position Finance Manager
High	Severe control gaps in cash and bank management for the following entities: Magnus Energy Group Ltd ("**MEGL**" or the "**Company**"), MEGPL, MEG Management Sdn. Bhd. ("**MMSB**"), Mid-Continent Equipment (Australia) Pty Ltd ("**MEA**"), MEG Global Ventures Pte Ltd ("**MGV**") and MEG Global Resources Limited ("**MGR**"). Nexia TS had noted the following: (A) Lack of bank mandate documents could result in ineffective monitoring of bank signatories and internet banking functions	Going forward, management should implement the following: 1. Make sure that bank mandate documents are retained; 2. Implement a process to monitor bank mandates and the timely removal of bank signatories and internet banking user access rights of resigned personnel; 3. Establish clear segregation of duties for internet banking user access rights	Management Comments In respect of (A) and (C), all the bank accounts are being reviewed and changes are being made or have been made. For MMSB bank accounts, due to Malaysian laws, only a resident work permit holder or citizen can become an authorised signatory of the bank accounts. As such, Mr. Anthony Reudavey and his accountant are currently the 2 signatories for the bank account.

CORPORATE GOVERNANCE REPORT

9. **RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)**

Risk Rating	Audit Finding	Recommendations by Nexia TS	Comments / steps taken by the Company
	(B) Insufficient monitoring of bank mandates could result in untimely updates of authorised signatories and internet banking user rights. (C) Inadequate segregation of duties relating to internet banking could result in unauthorised payments that are not detected on a timely basis. (D) Delay in updating the bank signatories and internet banking user access rights of could result in unauthorised payments made.		As the Company is winding down business in Malaysia and disposing its assets, we will look at shutting it down in the next few months. Meantime we keep minimal amount of cash in the bank. In respect of (B), the Company would like to clarify that for the UOB bank accounts are under Dual Control, the Authoriser can create a transaction but cannot approve the same transaction. The transaction must be approved by another Authoriser. <u>Action Plan</u> Regarding MMSB, we have drained the original account with RHB to close to nil and open a new account with CIMB. The Management is trying to update all the bank accounts to ensure that there is segregation of duties for online banking transactions and resigned bank signatories are being removed. Updated bank mandates will be retained for all bank accounts. However, UOB bank requires all directors to be present physically at the bank with the original notarized CTC passport copy

CORPORATE GOVERNANCE REPORT

9. **RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)**

Risk Rating	Audit Finding	Recommendations by Nexia TS	Comments / steps taken by the Company
			from Mr. Michael Pixley. This may take some time but the Management will try to complete the changes in November. Expected Implementation Date MMSB and MEGPL Immediate – September/October 2020 MEGL, MGV, MGR November 2020 – currently awaiting the notarized passport Person Responsible and Position MMSB - Director of MMSB MEGL, MEGPL, MEA, MGV, MGR Finance Manager and Group CEO

During the course of their audit, the Company's internal auditors reported on matters relating to internal controls. Any material non-compliance and recommendation for improvement had in the past been and will in future continue to be reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the internal auditors in this respect, where necessary.

In line with the Code, the AC, with the concurrence of the Board, has also adopted management assurances which includes the CEO's assurance 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 CEO and key executives' assurance regarding the adequacy and effectiveness of the Company's risk management and internal control systems for FY2020.

Nonetheless, the system of internal controls is designed to manage rather than eliminate the risk of failure to achieve business objectives. It can only provide reasonable and not absolute assurances against any material misstatements or loss. The Board notes that no system of internal controls and risk management can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

CORPORATE GOVERNANCE REPORT

9. RISK MANAGEMENT AND INTERNAL CONTROLS (Continued)

In the financial year ended 30 June 2014, the Board noted that the Company and certain of its subsidiaries had received notices on 2 April 2014 and 29 April 2014 from the Commercial Affairs Department ("**CAD**") to provide assistance to the CAD's investigations into an offence under the Securities and Futures Act, Chapter 289 of Singapore. 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 Shareholders as required.

External Review

As announced on 18 April 2019, the Company had appointed Provenance Capital Pte. Ltd. as its external reviewer for the Group to conduct an independent internal review of the investment policies on the past transactions by the Company. Provenance Capital Pte. Ltd. reported to the AC and had unfettered access to all the Company's documents, records, properties and personnel, including the AC. The External Review Report was published on 23 August 2019 on SGXNet.

The Company is still in the midst of reviewing and addressing the issues and recommendations as highlighted in the External Review Report and is cognisant that an implementation of the recommendations would be essential for the enhancement of the existing policies, system of internal controls and risk management. The Company has appointed Nexia TS to assist the Company in the review and implementation of the recommendations.

Based on the reports of the internal auditor and the actions taken by management, the on-going review and continuing efforts in improving internal controls and processes and assurances by the management, the Board, with the concurrence of AC, is of the opinion that the adequacy and effectiveness of the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems can be improved. The recommendations by Nexia TS, in addressing, among others, issues in relation to the Company's financial, operational, compliance, information technology controls and risk management systems throughout the financial year and up to the date of this report, are being implemented.

10. AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee which discharges its duties objectively.

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.

Provision 10.2 of the Code

CORPORATE GOVERNANCE REPORT

10. AUDIT COMMITTEE (Continued)

As at the date of this Report, the AC comprises the following three (3) members, all of whom, including the AC Chairman, are Independent Non-Executive Directors: -

- Farooq Ahmad Mann (Chairman)
(appointed as a member and Chairman on 15 June 2020)
- Michael Pixley (Member)
(appointed as a member on 6 August 2020)
- Winston Milner (Member)
(appointed as a member on 6 August 2020)

For FY2020, the AC had comprised the following members:

- Kuek Eng Chye Anthony (Interim Chairman / Member) (Date of cessation: 24 June 2020)
- Christopher O'Connor (Chairman) (Date of cessation: 8 May 2020)
- Lee Chong Ping (Chairman) (Date of cessation: 9 January 2020)
- Wee Liang Hiam (Chairman) (Date of cessation: 30 October 2019)
- Ong Chin Yew (Member) (Date of cessation: 14 June 2020)
- Seet Chor Hoon (Member) (Date of cessation: 9 January 2020)
- Kushairi Bin Zaidel (Member) (Date of cessation: 30 October 2019)

Two (2) members of the AC have professional and in-depth experiences in the field of financial management and accounting. Further information on the profiles of the current Directors are set out on pages 6 to 7 of the Annual Report.

Provision 10.3 of the Code

None of the members of the AC, including the former members, are former partners or directors of the Company's existing auditing firm/corporation within a period of two (2) years commencing on the date of their ceasing to be a partner or director of the auditing firm/corporation and they do not have any financial interest in the auditing firm or auditing corporation.

AC members are encouraged to attend trainings 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 the AC members have sufficient accounting and financial management expertise and experience to discharge the AC's responsibilities.

The AC meets at least four (4) times a year. Additional meetings are scheduled if considered necessary by the chairman of the AC.

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

CORPORATE GOVERNANCE REPORT

10. AUDIT COMMITTEE (Continued)

The duties of the AC are as follows:-

Provisions 1.4 and 10.1 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 any announcements in respect thereof;

- review the assurance from the CEO on the financial records and financial statements;

- make recommendations to the Board on: (i) proposals to shareholders on the appointment and removal of external auditors, (ii) the remuneration and terms of engagement of external auditors;

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

- 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 at least annually, the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function;

- 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 the whistle-blowing policy for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and followed up on. The Company publicly discloses, and clearly communicates to employees, its whistle-blowing policy and procedure on its website; 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 and 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.

The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the Company's documents, records, properties and personnel, including the AC, and has appropriate standing within the Company.

Provision 10.4 of the Code

CORPORATE GOVERNANCE REPORT

10. AUDIT COMMITTEE (Continued)

The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually. For this financial year, due to the resignation of some of the directors who were also AC Chairmen and members, the AC was unable to meet the newly appointed external and internal auditors without the presence of the Management. In September 2020, the AC had met with the external auditors, and with the internal auditors, in each case without the presence of the Management.

Provision 10.5 of the Code

Whistle Blowing

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 misconduct in the Group and at the same time assure them that they will be protected from victimisation for whistle blowing in good faith. 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, via our website at www.magnusenergy.com.sg/whistleblowing-policy/ using the online Whistleblowing Report form. The completed online form will be emailed directly to the AC Chairman. As of 30 June 2020, the AC Chairman did not receive any reports from external parties.

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, action 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.

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 fees paid for all audit services during the year under review was approximately S$0.16 million.

Catalist Rule 1204(6a&6b)

Taking into consideration the Audit Quality Indicators Disclosure Framework published by the Accounting and Corporate Regulatory Authority ("**ACRA**"), the AC is satisfied with the independence and objectivity of the external auditors and has recommended the re-appointment of Baker Tilly TFW LLP ("**Baker Tilly**") as external auditors of the Company for the ensuing financial year. The Company's USA subsidiary was audited by independent overseas member firm of Baker Tilly International for group consolidation purposes.

Catalist Rule 715(1&2)

CORPORATE GOVERNANCE REPORT

10. AUDIT COMMITTEE (Continued)

External Audit (Continued)

During the financial year, the AC has performed its duties as guided by the terms of reference. 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.

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.

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 and Rule 715 of the Catalist Rules have been complied with.

Internal Audit

The AC approves the hiring, removal, evaluation and compensation of the IA. The IA reports primarily to the AC and administratively to the Executive Director and CEO. The IA has unfettered access to the documents, records, properties and personnel of the Company and of the Group.

Catalist Rule 1204(6c)

Notwithstanding the issues highlighted by Nexia TS pursuant to the conduct of the annual internal audit review, the AC is satisfied that the internal audit function is independent, effective and adequately resourced being staffed by suitably qualified and experienced professionals with the relevant experience. The internal audit function is outsourced to Nexia TS. Nexia TS is a member of Nexia International and is associated with Smith & Williamson in the United Kingdom. Nexia International is a leading worldwide network of independent accounting and consulting firms, providing a comprehensive portfolio of audit, accountancy, tax and advisory services. The internal audit team from Nexia TS comprised of the engagement partner, a manager and two experienced associates. The engagement partner has more than 12 years of professional experience leading internal audits, internal control reviews, corporate governance, compliance, data analytics and advisory reviews, IT audits, fraud investigations and enterprise risk assessments. He has served multi-national corporations and SGX-listed companies, not-for-profit organisations, Institutions of Public Character and public sector agencies. The engagement partner is a Chartered Accountant (Singapore) and a member of the Institute of Internal Auditors Singapore.

Catalist Rule 1204 (10C)

CORPORATE GOVERNANCE REPORT

10. AUDIT COMMITTEE (Continued)

Catalist Rule 719(1)

The Board is responsible for maintaining a system of internal controls 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 conducts audits that involve testing the effectiveness of the material internal control systems within the Group, relating to financial, operational and compliance risks. Any material non-compliance 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.

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. The AC oversees and monitors Management's response on the implementation to their findings to ensure that appropriate follow-up measures are taken. The AC may commission an independent audit on internal controls and risk management systems for its assurance, or where it is not satisfied with the systems of internal controls and risk management.

11. SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The Company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Shareholder rights and conduct of general meetings

Provision 11.1 of the Code

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 the Company's shareholders. In line with continuous disclosure obligations of the Company pursuant to the provisions of the Catalist Rules and the Companies Act, the Company's policy is that all shareholders should be equally and timely informed of all major developments that impact the Group, including rules governing general meetings of shareholders.

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 Constitution. Notices and proxy forms are printed with the voting rules and deadlines for shareholders.

Shareholders are informed of general meetings through notices published in the newspapers, as well as 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 with the voting rules and procedures.

CORPORATE GOVERNANCE REPORT

11. SHAREHOLDER RIGHTS AND ENGAGEMENT (Continued)

The AGM is the principal forum for dialogue with shareholders. At the AGM, shareholders are given the opportunity to express 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. All Directors 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. All Directors will attend the AGM for FY2020.

Provision 11.3 of the Code

The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are interlinked, the Company will explain the reasons and material implications in the notice of meeting. An explanation for any proposed resolution would be provided.

Provision 11.2 of the Code

Directors may, at their sole discretion, approve and implement, subject to security measures as may be deemed necessary or expedient, to allow shareholders to vote in absentia, including but not limited to voting by mail, electronic mail or facsimile.

Provision 11.4 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 are made available to shareholders on the Company's corporate website as soon as practicable.

Provision 11.5 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.

<u>Dividend Policy</u>

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 2020, the Company does not have any accumulated profits and is not in a position to declare any dividends.

Provision 11.6 of the Code/Catalist Rule 704(23)

Principle 12: The Company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

<u>Engagement with Shareholders</u>

The Board adopts the practice of regular communication of information to shareholders through the SGXNet and press releases. All announcements and annual reports of the Company are available on the Company's website at www.magnusenergy.com.sg. 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. Changes in the Catalist Rules in 2017 enable issuers to dispatch notices, circulars and annual reports using electronic communications if there is express consent from shareholder.

Provision 12.1 of the Code

11. SHAREHOLDER RIGHTS AND ENGAGEMENT (Continued)

Engagement with Shareholders (Continued)

The Company has an investor relations policy which is published on the Company's website. At all times, the Company is committed to making timely, full and accurate disclosure of information to its shareholders. All disclosure submitted to the SGX-ST through SGXNet are made available on the Company's website. The Company strives to provide disclosure on both positive and negative developments of the Company. Shareholders and the investment community can send their queries by submitting the online form on the Company's website.

Provision 12.2 of the Code

In line with the aforesaid change, the Company has ceased the printing and sending of physical annual reports to shareholders. Shareholders would be able to download the annual reports from the website. For shareholders who would 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 or fill up the physical request form and return to the Company by post.

The Company provides a feedback form and contact details on its website at www.magnusenergy.com.sg. During the financial year ended 30 June 2020, the Company received enquiries mainly via website contact forms submissions and a few phone enquiries from shareholders and other miscellaneous enquiries.

Provisions 13.3 & 12.3 of the Code

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationship with such groups. Details of how these groups are identified and engaged in key areas focus can be found on pages 9 to 27 of the Annual Report within the Sustainability Report.

Provisions 13.1 & 13.2 of the Code

OTHER CORPORATE GOVERNANCE MATTERS

INTERESTED PERSONS TRANSACTIONS (Catalist Rule 907)

The Company is working to improve its policies and procedures for the identification, approval and monitoring of transactions with interested persons based on recommendations by Nexia TS. All interested persons transactions are subject to review by the AC. In FY2020, there were no interested person transactions exceeding S$100,000. The Group does not have any general mandate from shareholders pursuant to Rule 920 of the Catalist Rules for the current financial year.

MATERIAL CONTRACTS (Catalist Rule 1204(8))

There were no material contracts of the Company, or its subsidiaries involving the interests of any Director, the CEO 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.

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, officers and relevant employees 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 (2) weeks and one (1) 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 (if any) 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 policy.

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

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

CORPORATE GOVERNANCE REPORT

11. SHAREHOLDER RIGHTS AND ENGAGEMENT (Continued)

CATALIST SPONSOR (Catalist Rule 1204(21))

The Company is currently under the SGX-ST Catalist sponsor-supervision regime. The Company appointed Novus Corporate Finance Pte. Ltd. ("**NCF**") as its new Continuing Sponsor, in place of its previous Continuing Sponsor, Stamford Corporate Services Pte Ltd ("**SCS**"). NCF's appointment as Continuing Sponsor took effect from 14 April 2020. There are no non-sponsor fees paid to either of SCS or NCF during FY2020.

USE OF PROCEEDS (Catalist Rule 1204(5)(f) and 1204(22))

Not applicable.

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

The Company does not have any mineral, oil and gas activity.

SUSTAINABILITY REPORTING (Catalist Rules 711A and 711B)

The Company's sustainability report is set out from pages 9 to 27 of this annual report.

DIRECTORS' STATEMENT

For the financial year ended 30 June 2020

The directors hereby present their statement to the members together with the audited consolidated financial statements of Magnus Energy Group Ltd. (the "**Company**") and its subsidiaries (the "**Group**") and the statement of financial position of the Company for the financial year ended 30 June 2020.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position of the Company as set out on pages 74 to 140 are properly drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020 and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended in accordance with the provisions of the Companies Act, Chapter 50 (the "**Act**") and Singapore Financial Reporting Standards (International); and

(ii) 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.

Directors

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

Charles Madhavan	(appointed on 9 January 2020)
Farooq Ahmad Mann	(appointed on 15 June 2020)
Michael Grant Pixley	(appointed on 6 August 2020)
Winston Terence Milner	(appointed on 6 August 2020)

Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, 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.

Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and/or related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act, except as follows:

	Number of ordinary shares			
	Shareholdings registered in their own names		Shareholdings in which a director is deemed to have an interest	
	At 1.7.2019	At 30.6.2020	At 1.7.2019	At 30.6.2020
The Company				
Kushairi Bin Zaidel (resigned on 30.10.2019)	114,372,020	–	–	–
Seet Chor Hoon (resigned on 9.1.2020)	169,063,300	–	–	–
Ong Sing Huat (resigned on 30.10.2019)	32,633,800	–	–	–
Charles Madhavan (appointed on 9.1.2020)	–	–	695,000,000[1]	**695,000,000[1]**

[1] Charles Madhavan is deemed to have an interest in 695,000,000 ordinary shares collectively held by Blue Water Engineering Pte Ltd, Idola Cakrawala International Pte Ltd and his spouse, in the capital of the Company.

The directors' interests in the ordinary shares and share options of the Company at 21 July 2020 were the same as those as at 30 June 2020.

DIRECTORS' STATEMENT

For the financial year ended 30 June 2020

Share Options and Share Awards

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

Magnus Energy ESOP and Magnus Energy Performance Share Plan ("**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 "**Adoption Date**").

The Remuneration Committee (the "**RC**" or the "**Committee**") of the Company has been designated as the committee responsible for the administration of the Share Schemes. The members of the RC are Michael Grant Pixley (Chairman), Farooq Ahmad Mann and Winston Terence Milner.

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.

The Company has implemented a performance share plan known as Magnus Energy ESOP which was first approved and adopted by the shareholders at an EGM held on 19 November 2007 along with Magnus Energy PSP. The purpose of the Magnus Energy ESOP and Magnus Energy PSP is to provide an opportunity for Group executives and non-executive directors, who have met the performance conditions, to be remunerated not just through cash bonuses but also by an equity stake in the Company.

Participants are required to pay the exercise price for each Share in respect of which an Option is exercisable, which shall be at a maximum discount of 20% to the market price of the Shares, which is the weighted average price of the Shares on the SGX-ST over the three consecutive trading days immediately preceding the date of grant of that Option, rounded up to the nearest whole cent, as determined by the Remuneration Committee by reference to the daily official list or any other publication published by the SGX-ST (the "Market Price").

<u>Eligibility</u>

The following persons, unless they are also controlling shareholders (as defined in the Listing Manual) of the Company or associates (as defined in the Listing Manual) of such controlling shareholders, shall be eligible to participate in the Magnus Energy ESOP at the absolute discretion of the Remuneration Committee:

(a) 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

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

DIRECTORS' STATEMENT

For the financial year ended 30 June 2020

Share Options and Share Awards (cont'd)

(a) Magnus Energy Employee Share Option Plan ("**Magnus Energy ESOP**") (cont'd)

Exercise Price

Subject to adjustments under the Magnus Energy ESOP, the exercise price for each Share in respect of which an Option is exercisable shall be determined by the Committee, in its absolute discretion, to be either:

(a) a price equal to the Market Price or such higher price as may be determined by the Committee in its absolute discretion; or

(b) a price which 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 which may be given in respect of any Option shall not exceed twenty (20) per cent of the Market Price in respect of that Option.

In making any determination on paragraph (b) above on whether to give a discount and the quantum of such discount, the Committee has the liberty to take into consideration such criteria as the Committee may, in its absolute discretion, deem appropriate, including but not limited to:

(a) the performance of the Group;

(b) the years of service and individual performance of the Participant;

(c) the contribution of the Participant to the success and development of the Company and/or the Group; and

(d) the prevailing market conditions.

The flexibility to grant Options with discounted exercise prices is intended to enable the Group to offer competitive compensation and incentive packages to attract and retain talent, having regard to prevailing market practices for the recruitment and retention of talent. Having the discretion to grant Options at a discount to the Market Price will also make the Company less vulnerable to market sentiments which may affect the price of its Shares and/or stock market volatility at the time that offers of the grant of Options are made. The discretion to grant Options with discounted exercise prices will, however, be used judiciously, and only in exceptional circumstances where there is a need to align with market practices or to make up for the loss of benefits which a new hire suffers when he leaves his previous employment to join the Company. The Company currently does not intend to grant Options with discounted exercise prices in the normal course.

Upon making a determination on the exercise price of an Option and granting an Option to a Participant at a determined exercise price, the Company will not be varying the exercise price for that Option.

Exercise of Options

Subject to the Companies Act and the rules of the Listing Manual, the Company will have the flexibility to deliver Shares to Participants upon the exercise of their Options by way of:

(a) an issue of new Shares; and/or

(b) the transfer of existing Shares, including any Shares held by the Company in treasury.

The aggregate number of new Shares to be issued and existing Shares to be purchased for delivery over which the Committee may grant Options or which may be issued or delivered pursuant to the Awards on any date, when added to the number of new Shares issued and issuable or existing Shares purchased to be delivered and deliverable in respect of (a) all Options granted under the Magnus Energy ESOP, and (b) all Awards granted under the Magnus Energy PSP shall not exceed five (5) per cent. of the total number of issued Shares of the Company (excluding treasury shares of the Company, if any) on the day preceding that date of grant or award, as the case may be.

DIRECTORS' STATEMENT

For the financial year ended 30 June 2020

Share Options and Share Awards (cont'd)

(a) Magnus Energy Employee Share Option Plan ("**Magnus Energy ESOP**") (cont'd)

Limitation

The directors of the Company be authorised and empowered to offer and grant options under 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.

Duration

The Magnus Energy ESOP is subject to a maximum period of 10 years commencing on Adoption Date, provided always that the Magnus Energy ESOP and/or the Magnus Energy PSP may continue beyond the above stipulated period with the approval of Shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

No share options were granted under the Magnus Energy ESOP during the financial years ended 30 June 2020 and 2019. As at 30 June 2020 and 30 June 2019, there were no outstanding share options. There were also no discounted share options granted since the commencement of the scheme.

(b) Magnus Energy PSP

The Company has implemented a performance share plan known as Magnus Energy PSP which was first approved and adopted by the shareholders at an EGM held on 19 November 2007. Unlike the Magnus Energy ESOP, the Magnus Energy PSP contemplates the award of Shares, their equivalent cash value or combinations thereof, free of charge, to Participants when and after prescribed performance targets are accomplished.

Eligibility

Full-time Group executives who have attained the age of 21 years as of the award date and hold such rank as may be designated by the Committee from time to time are eligible to participate in Magnus Energy PSP. Non-executive directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group are also eligible to participate in Magnus Energy PSP. Controlling shareholders and their associates are not eligible to participate in the Magnus Energy PSP.

Purpose

Magnus Energy PSP recognises the fact that the services and contributions of such participants are important to the current on-going development, growth and success of the Group. Implementation of the Magnus Energy PSP gives the Company the flexibility to the Group's remuneration package for its employees and allow the Group to better manage its fixed overheads. At the same time, it will give participants an opportunity to have a personal equity interest in the Company at no direct cost to its profitability and will help to achieve the following positive objectives:

(a) the motivation of the Participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;

(b) the retention of key executives and executive directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;

(c) to instil loyalty to, and a stronger identification by employees with the long-term prosperity of, the Company;

DIRECTORS' STATEMENT

For the financial year ended 30 June 2020

Share Options and Share Awards (cont'd)

(b) Magnus Energy PSP (cont'd)

Purpose (cont'd)

(d) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders of the Company;

(e) to align the interests of employees with the interests of the shareholders of the Company; and

(f) to give recognition to the contributions made or to be made by non-executive directors to the success of the Group.

Limitations

The aggregate number of new Shares which may be issued and existing Shares to be purchased for delivery pursuant to Awards granted under the Magnus Energy PSP on any date, when added to the number of new Shares issued and issuable or existing Shares purchased to be delivered and deliverable in respect of (a) all Awards granted under the Magnus Energy PSP, and (b) all options granted under the Magnus Energy Employee Share Option Plan, shall not exceed five (5) per cent of the total number of issued Share of the Company (excluding treasury shares of the Company, if any) on the day preceding that date.

Administration of Magnus Energy PSP

The Remuneration Committee (the "Committee") may grant Awards to Group executives or non-executive directors, in each case, as the Committee may select, in its absolute discretion, at any time during the period when the Magnus Energy PSP is in force.

Duration

The Magnus Energy PSP shall continue to be in force at the discretion of the Committee, subject to a maximum period of ten (10) years commencing on the Adoption Date, provided always that the Plan may continue beyond the above stipulated period with the approval of the Company's shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

The Magnus Energy PSP may be terminated at any time by the Committee or, at the discretion of the Committee, by resolution of the Company in general meeting, subject to all relevant approvals which may be required and if the Plan is so terminated, no further Awards shall be granted by the Committee hereunder.

Grant of Awards

The Company may deliver shares pursuant to awards granted under Magnus Energy PSP by way of:

(i) issuance of new shares;

(ii) purchase of existing shares from the market; and/or

(iii) cash in lieu of shares, based on the aggregate market value of such shares

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.

DIRECTORS' STATEMENT

For the financial year ended 30 June 2020

Share Options and Share Awards (cont'd)

(b) Magnus Energy PSP (cont'd)

Grant of Awards (cont'd)

Pursuant to Rule 851(1) of the Catalist Rules of the SGX-ST, the total number of share awards granted to the directors and Group executives under the Magnus Energy PSP were as follows:

Name of participant	Share awards granted during the financial year	Aggregate share awards granted since commencement of scheme to 30.6.2020	Aggregate share awards vested since commencement of scheme to 30.6.2020	Aggregate share awards outstanding as at 30.6.2020
Non-executive directors				
Kushairi Bin Zaidel[(1)]	–	**114,372,020**	**114,372,020**	–
Seet Chor Hoon[(2)]	–	**49,063,300**	**49,063,300**	–
Ong Sing Huat[(1)]	–	**32,633,800**	**32,633,800**	–
Ong Chin Chuan[(3)]	–	**48,950,800**	**48,950,800**	–
Group executive				
Luke Ho Khee Yong[(2)]	–	**696,369,200**	**696,369,200**	–
	–	**941,389,120**	**941,389,120**	–

Notes:

(1) Resigned on 30 October 2019.

(2) Resigned on 9 January 2020.

(3) Resigned on 30 June 2019.

Audit Committee

The members of the Audit Committee during the financial year and at the date of this statement, comprise three directors, all of whose are independent, as follows:

Farooq Ahmad Mann (Chairman)
Michael Grant Pixley
Winston Milner

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act, the Singapore Exchange Limited ("SGX") 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 auditor 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 auditor;

(d) reviewed interested party transactions for the financial year ended 30 June 2020 in accordance with Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist to satisfy themselves that the transactions are on normal commercial terms;

DIRECTORS' STATEMENT

For the financial year ended 30 June 2020

Audit Committee (cont'd)

(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 2020 before their submission to the Board of Directors and the independent auditor's report on those financial statements;

(f) recommends to the Board of Directors the independent auditor to be nominated and approval of the compensation of the independent auditor 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 independent auditor to the Group, is to be satisfied that the nature and extent of such services would not affect the independence of the independent auditor. There was no non-audit service provided by the independent auditor 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 auditor, Baker Tilly TFW LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Michael Grant Pixley Director	Charles Madhavan Director

30 September 2020

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 accompanying financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (the "Group") as set out on pages 74 to 140 which comprise the statements of financial position of the Group and of the Company as at 30 June 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the financial year ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and statement of the financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) so as to give a true and fair view of the consolidated financial position of the Group and financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the financial 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.

<u>Impairment assessment of cost of investment in subsidiaries (Company)</u>

As disclosed in Note 3 and 15 to the financial statements, the net carrying amount of the Company's investment in subsidiaries as at 30 June 2020 amounted to $7,076,918, after recognising impairment loss of $2,348,320 during the current financial year.

During the financial year, the Company performed an impairment assessment to determine the recoverable amounts of the Company's cost of investment in subsidiaries. The Company has assessed the recoverable amount of its investment in subsidiaries based on fair value less cost to sell and value-in-use of the investment in subsidiaries using the discounted cash flow method. The determination of fair value less cost to sell involves valuation of freehold and leasehold properties by independent valuers and estimation of the underlying fair value of the net assets of the subsidiaries taking into consideration the impact of the current COVID-19 pandemic. The use of the value-in-use calculations involves significant judgement and estimates in the cash flows forecast for the next five years and terminal value. The value-in-use calculations also include assumptions on the discount rate and terminal year growth rate. These key inputs and assumptions were estimated by management based on prevailing market, economic and other conditions at the end of the reporting period, and based on management's estimations of the expected revenue growth and recovery in business conditions amidst the current COVID-19 pandemic.

The assessment of recoverable amount of the Company's investment in subsidiaries is considered to be significant to our audit as it requires application of judgement and use of subjective assumptions by management.

INDEPENDENT AUDITOR'S REPORT

To the Members of Magnus Energy Group Ltd. (Incorporated in Singapore)

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

<u>Impairment assessment of cost of investment in subsidiaries (Company)</u> (cont'd)

Our procedures to address the key audit matter

- We obtained an understanding of management's impairment assessment process.
- We obtained the Company's value-in-use calculations. We evaluated the key assumptions to the value-in-use calculations which includes the discount rate and terminal year growth rate.
- We performed sensitivity analysis in the areas of terminal year growth rate and discount rate assumptions.
- We obtained management's assessment of fair value less cost to sell and evaluated the assessment for reasonableness.
- We obtained and evaluated the valuation reports from independent valuers to ascertain the competency and objectivity of the independent valuers and appropriateness of valuation methods used.
- We have evaluated management's estimates and assumptions made with respect to the impact of COVID-19 to the fair value less cost to sell calculation and value-in-use calculations.
- We also assessed the adequacy and appropriateness of the disclosure made in the financial statements.

Other Matter

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2019 were audited by another independent auditor whose report dated 15 October 2019 expressed an unmodified opinion on those financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report but does not include the financial statement 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 provision of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Magnus Energy Group Ltd. (Incorporated in Singapore)

Report on the Audit of the Financial Statements (cont'd)

Auditor's Responsibilities 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.

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.

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.

INDEPENDENT AUDITOR'S REPORT

To the Members of Magnus Energy Group Ltd. (Incorporated in Singapore)

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 subsidiary corporations 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 Lee Chee Sum Gilbert.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

30 September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 June 2020

		Group	
		2020	2019
	Note	$	$
Revenue	4	**15,176,527**	17,573,277
Cost of sales		**(13,551,518)**	(15,542,823)
Gross profit		**1,625,009**	2,030,454
Other operating income	5	**1,142,898**	1,681,259
Other operating expenses	6	**(299,436)**	(13,850,236)
Distribution and marketing expenses	7	**(99,799)**	(106,952)
Administrative expenses	8	**(4,501,949)**	(4,955,475)
Net impairment losses on financial assets		**–**	(2,101,862)
Interest income	10	**27,810**	68,829
Finance costs	11	**(88,870)**	(63,952)
Loss before tax		**(2,194,337)**	(17,297,935)
Tax expense	12	**(323,992)**	(162,617)
Loss for the financial year		**(2,518,329)**	(17,460,552)
Other comprehensive (loss)/income:			
Items that are or may be reclassified subsequently to profit or loss:			
Currency translation differences arising on consolidation		**(367,147)**	89,397
Items that will not be reclassified subsequently to profit or loss			
Fair value loss recognised in equity on revaluation of financial assets at fair value through other comprehensive income		**(98,361)**	(54,850)
Currency translation differences arising on consolidation		**155,437**	296,750
Other comprehensive (loss)/income for the financial year, net of tax		**(310,071)**	331,297
Total comprehensive loss for the financial year		**(2,828,400)**	(17,129,255)
Loss attributable to:			
Equity holders of the Company		**(2,167,481)**	(17,465,311)
Non-controlling interests		**(350,848)**	4,759
Loss for the financial year		**(2,518,329)**	(17,460,552)
Total comprehensive (loss)/income attributable to:			
Equity holders of the Company		**(2,632,989)**	(17,430,764)
Non-controlling interests		**(195,411)**	301,509
		(2,828,400)	(17,129,255)
Loss per share attributable to equity holders of the Company (cents per share)			
Basic and Diluted	13	**(0.02)**	(0.14)

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

	Note	Group 2020 $	Group 2019 $	Company 2020 $	Company 2019 $
ASSETS					
Non-current assets					
Property, plant and equipment	14	**597,811**	848,625	**10,169**	201,128
Investment in subsidiaries	15	**–**	–	**7,076,918**	9,425,238
Investment in joint venture	16	**–**	–	**–**	–
Goodwill	17	**–**	–	**–**	–
Other intangible assets	18	**–**	–	**–**	–
Other financial assets	19	**40**	476,707	**40**	476,707
Deferred tax assets	20	**7,710**	7,631	**–**	–
Total non-current assets		**605,561**	1,332,963	**7,087,127**	10,103,073
Current assets					
Inventories	21	**539,765**	1,353,338	**–**	–
Trade and other receivables	22	**968,782**	2,117,465	**62,858**	241,088
Related parties balances	23	**–**	209,398	**–**	2,088,640
Cash and bank balances	25	**2,963,522**	3,353,420	**1,004,801**	169,488
Fixed deposits	26	**–**	3,465,457	**–**	–
		4,472,069	10,499,078	**1,067,659**	2,499,216
Assets classified as held for sale	27	**4,555,992**	4,724,088	**–**	–
Right-of-use assets	24	**1,762,707**	–	**–**	–
Total current assets		**10,790,768**	15,223,166	**1,067,659**	2,499,216
Total assets		**11,396,329**	16,556,129	**8,154,786**	12,602,289
EQUITY AND LIABILITIES					
Current liabilities					
Trade and other payables	28	**1,814,787**	2,904,622	**877,750**	833,361
Contract liabilities	28	**499,766**	620,493	**–**	–
Due to non-controlling interests	29	**–**	2,613,502	**–**	–
Related parties balances	23	**–**	113,960	**134,700**	385,448
Borrowings	30	**38,204**	–	**–**	–
Income tax liabilities		**420**	35,593	**–**	–
		2,353,177	6,288,170	**1,012,450**	1,218,809
Lease liabilities	24	**1,735,637**	–	**–**	–
Total current liabilities		**4,088,814**	6,288,170	**1,012,450**	1,218,809
Non-current liabilities					
Borrowings	30	**61,238**	–	**–**	–
Total liabilities		**4,150,052**	6,288,170	**1,012,450**	1,218,809
Equity					
Share capital	31	**148,781,865**	148,781,865	**148,781,865**	148,781,865
Reserves	32	**(143,983,741)**	(141,350,752)	**(141,639,529)**	(137,398,385)
		4,798,124	7,431,113	**7,142,336**	11,383,480
Non-controlling interests		**2,448,153**	2,836,846	**–**	–
Total equity		**7,246,277**	10,267,959	**7,142,336**	11,383,480
Total equity and liabilities		**11,396,329**	16,556,129	**8,154,786**	12,602,289

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

	← Attributable to equity holders of the Company				→		
	Share capital	Fair value reserve	Currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total Equity
	$	$	$	$	$	$	$
Group							
Balance at 1 July 2019	148,781,865	(98,599)	(2,207,290)	(139,044,863)	7,431,113	2,836,846	10,267,959
Loss for the financial year	–	–	–	(2,167,481)	(2,167,481)	(350,848)	(2,518,329)
Other comprehensive (loss)/income							
Fair value loss on financial assets at fair value through other comprehensive income	–	(98,361)	–	–	(98,361)	–	(98,361)
Currency translation differences arising on consolidation	–	–	(367,147)	–	(367,147)	155,437	(211,710)
Total comprehensive loss for the financial year	–	(98,361)	(367,147)	(2,167,481)	(2,632,989)	(195,411)	(2,828,400)
Transfer upon disposal of financial assets at fair value through other comprehensive income	–	196,960	–	(196,960)	–	–	–
Dividend paid by a subsidiary to non-controlling interests	–	–	–	–	–	(193,282)	(193,282)
Balance at 30 June 2020	**148,781,865**	**–**	**(2,574,437)**	**(141,409,304)**	**4,798,124**	**2,448,153**	**7,246,277**
Balance at 1 July 2018	148,781,865	(43,749)	(2,296,687)	(121,579,552)	24,861,877	6,946,337	31,808,214
(Loss)/income for the financial year	–	–	–	(17,465,311)	(17,465,311)	4,759	(17,460,552)
Other comprehensive (loss)/income							
Fair value loss on financial assets at fair value through other comprehensive income	–	(54,850)	–	–	(54,850)	–	(54,850)
Currency translation differences arising on consolidation	–	–	89,397	–	89,397	296,750	386,147
Total comprehensive (loss)/income for the financial year	–	(54,850)	89,397	(17,465,311)	(17,430,764)	301,509	(17,129,255)
Return of share capital to non-controlling interests	–	–	–	–	–	(4,411,000)	(4,411,000)
Balance at 30 June 2019	148,781,865	(98,599)	(2,207,290)	(139,044,863)	7,431,113	2,836,846	10,267,959

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 30 June 2020

	2020 $	2019 $
Cash flows from operating activities		
Loss before tax	**(2,194,337)**	(17,297,935)
Adjustments for:		
Allowance for impairment loss on trade receivables	–	53,632
Allowance for impairment loss on non-trade receivables	–	2,048,230
Allowance for impairment on property, plant and equipment	–	12,974,966
Bad debts written off	**2,341**	–
Depreciation of property, plant and equipment	**52,760**	239,177
Depreciation of right-of-use assets	**55,687**	–
Inventory written-off	**57,927**	186,423
Write back of allowance for inventory obsolescence	–	(496,817)
Gain on disposal of assets classified as held for sale	**(659,713)**	–
Gain on disposal of business	–	(818,580)
Loss on disposal and de-registration of subsidiaries	**174,485**	–
Loss/(gain) on disposal of property, plant and equipment	**42,631**	(209,123)
Loss on disposal of other financial assets	**1,487**	49,009
Other financial assets written-off	–	21,229
Property, plant and equipment written-off	**20,565**	–
Foreign exchange (gain)/loss - unrealised	**(444,650)**	596,291
Interest expense	**68,718**	32,378
Interest income	**(27,810)**	(68,829)
Operating cash flows before working capital changes	**(2,849,909)**	(2,689,949)
Changes in operating assets and liabilities		
Inventories	**755,646**	430,141
Trade and other receivables	**1,107,419**	1,066,836
Trade and other payables and contract liabilities	**(1,176,151)**	(1,702,669)
Related parties balances (net)	**(79,047)**	95,783
Currency translation adjustments	**(58,414)**	–
Cash used in operations	**(2,300,456)**	(2,799,858)
Interest income received	**27,810**	57,917
Interest paid	**(68,718)**	(42,173)
Income taxes paid	**(359,761)**	(98,374)
Net cash used in operating activities	**(2,701,125)**	(2,882,488)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,299)**	(220,703)
Proceeds from disposal of property, plant and equipment	**155,809**	402,826
Proceeds from disposal of assets classified as held for sale	**946,896**	–
Proceeds from disposal of other financial assets	**376,819**	1,038,499
Proceeds from disposal of investment in joint venture	–	607,265
Proceeds from disposal of business	–	1,364,300
Decrease/(increase) in restricted fixed deposits	**3,325,052**	(945,945)
Net cash generated from investing activities	**4,802,277**	2,246,242

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)

For the financial year ended 30 June 2020

	2020 $	2019 $
Cash flows from financing activities		
Repayment of finance lease obligations	–	(4,635)
Repayment of lease liabilities	**(27,633)**	–
Loan from a key management personnel	–	200,000
Repayment to a director and key management personnel	–	(750,000)
Proceeds from bank loans	**99,442**	–
Capital reduction of a subsidiary (Note B)	**(2,613,502)**	(1,797,498)
Dividend paid by a subsidiary to non-controlling interests	**(193,282)**	–
Net cash used in financing activities	**(2,734,975)**	(2,352,133)
Net decrease in cash and cash equivalents	**(633,823)**	(2,988,379)
Cash and cash equivalents at beginning of the financial year	**3,493,825**	6,202,848
Effects of exchange rate changes on cash and cash equivalents	**103,520**	279,356
Cash and cash equivalents at end of the financial year	**2,963,522**	3,493,825

Note A - Cash and cash equivalents

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

	2020 $	2019 $
Cash and bank balances	**2,963,522**	3,353,420
Add: Fixed deposits (unrestricted)	–	140,405
Cash and cash equivalents	**2,963,522**	3,493,825

Note B - Amount due to non-controlling interests

	2020 $	2019 $
Balance at beginning of the financial year	**2,613,502**	–
Return of share capital to non-controlling interests for capital reduction of subsidiary	–	4,411,000
Payments made	**(2,613,502)**	(1,797,498)
Balance at end of the financial year (Note 29)	–	2,613,502

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

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") (Co. Reg. No. 198301375M) is incorporated and domiciled in Singapore and listed on the Catalist Board of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The address of its registered office and principal place of business is at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712.

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiaries are disclosed in Note 15.

2 Summary of significant accounting policies

a) Basis of preparation

The financial statements are presented in Singapore dollar ("$") which is the Company's functional currency. The financial statements have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards International ["SFRS(I)"]. The financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

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.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

New and revised standards

In the current financial year, the Group has adopted all the new and revised SFRS(I)s and Interpretations of SFRS(I) ["SFRS(I) INT"] that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective SFRS(I)s and SFRS(I) INT.

The adoption of these new and revised SFRS(I)s and SFRS(I) INT did not have any material effect on the financial results or position of the Group and the Company, except as disclosed below.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 Summary of significant accounting policies (cont'd)

a) Basis of preparation (cont'd)

New and revised standards (cont'd)

SFRS(I) 16 Leases

When the Group is the lessee

SFRS(I) 16 replaces the existing SFRS(I) 1-17 Leases for financial periods beginning 1 January 2019. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their statements of financial position to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short-term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability.

On adoption of SFRS(I) 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "Operating Leases" under SFRS(I) 1-17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 July 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was 4.00%.

	Group 2020 $
Operating lease commitments disclosed as at 30 June 2019	3,154,530
Discounted using the lessee's incremental borrowing rate	(1,314,266)
Less: low value asset leases recognised on a straight-line basis as an expense	(4,308)
Less: short term leases recognised on a straight-line basis as an expense	(35,400)
Lease liability recognised as at 1 July 2019	1,800,556

The associated right-of-use assets were measured at the amount equal to the lease liability on adoption. Arising from the adoption of SFRS(I) 16, rights-of-use asset and lease liability of $1,800,556 and $1,800,556 respectively were recognised on the consolidated statement of financial position on 1 July 2019.

In applying SFRS(I) 16 for the first time, the Group has used the following practical expedient permitted by the standard:

- account for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases.

When the Group is the lessor

There are no material changes to accounting by the Group as a lessor.

New standards, amendments to standards and interpretations that have been issued at the end of the reporting date but are not yet effective for the financial year ended 30 June 2020 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 **Summary of significant accounting policies (cont'd)**

b) **Revenue recognition**

Sale of goods

The Group supplies oilfield equipment and tubular products to customers. Revenue is recognised when the control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the manner of distribution and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has the objective evidence that all criteria for acceptance have been satisfied.

A contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract liabilities are recognised as revenue as the Group performs under the contract.

A receivable is recognised when the goods are delivered, as this represents the point in time that the right to consideration is unconditional, because only the passage of time is required before the payment is due.

Revenue from maintenance services

The Group provides procurement services and environmental and waste management services. Such services are recognised as a performance obligation satisfied over time. 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.

c) **Subsidiaries**

Subsidiaries are entities controlled by the Group. 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.

In the Company's statement of financial position, investment in subsidiaries are accounted for at cost less accumulated impairment losses, if any. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 Summary of significant accounting policies (cont'd)

d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. Subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiaries are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. Goodwill is accounted for in accordance with the accounting policy for goodwill stated in Note 2(f). In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain from bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition date fair value or, when applicable, on the basis specified in another standard.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 **Summary of significant accounting policies (cont'd)**

e) Joint ventures

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investment in joint ventures is accounted for in the consolidated financial statements using the equity method of accounting, less impairment losses, if any.

Investment in joint ventures ("equity-accounted investee") is 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.

Subsequent to initial recognition, the consolidated financial statements include the Group's share of the post-acquisition profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date of joint control commences until the date of joint control ceases.

Distributions received from joint venture are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the 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 joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately as income in the Group's profit or loss.

Where a group entity transacts with a joint venture of the Group, unrealised gains are eliminated to the extent of the Group's interest in the relevant joint venture. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred.

Upon loss of joint control over the joint venture, the Group measures any retained investment at its fair value. Any difference between the carrying amount of the joint venture upon loss of joint control and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

If the Group's ownership interest in a joint venture is reduced, but the Group continues to apply the equity method, the Group shall reclassify to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

In the Company's financial statements, investment in joint ventures is carried at cost less accumulated impairment loss. On disposal of investment in joint ventures, the differences between the disposal proceeds and the carrying amounts of the investment are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 Summary of significant accounting policies (cont'd)

f) Goodwill

Goodwill is initially measured at cost and is subsequently measured at cost less any accumulated impairment losses.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group policy for goodwill arising on the acquisition of joint venture is described in Note 2(e).

g) Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any impairment in value.

The cost of property, plant and equipment initially recognised 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.

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

No depreciation is provided on freehold land.

Depreciation is calculated on a straight-line basis to write off the cost of property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

	Years
Freehold building	40
Leasehold building and improvements	5 - 15
Machinery, tools and equipment	3 - 10
Motor vehicles	5 -10
Computers	1 - 5
Office equipment	5 - 8
Furniture and fittings	5 - 10
Renovation	3

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 **Summary of significant accounting policies (cont'd)**

g) **Property, plant and equipment (cont'd)**

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

Construction-in-progress, which represents plant and equipment pending installation, is stated at cost less impairment loss, and is not depreciated. Cost comprises direct costs incurred during the periods of construction, installation and testing, and for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policies. Construction-in-progress is reclassified to the appropriate category of property, plant and equipment and depreciation commences when the construction work is completed and the asset is ready for use.

h) **Intangible assets**

Exploration, evaluation and development expenditure

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 Summary of significant accounting policies (cont'd)

i) Impairment of non-financial assets (other than goodwill)

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). 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.

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.

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 (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (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 (cash-generating unit) in prior years. A previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

j) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the following basis:

<u>*Finished goods*</u>

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

<u>*Work-in-progress*</u>

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

The cost of purchase comprises both the purchase price and cost directly attributable to the acquisition of the inventory, such as import duties and transportation charges, less all attributable discounts, allowance or rebates. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

k) Leases

The accounting policy for leases before 1 July 2019 is as follows:

When the Group entity is the 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 2020

2 **Summary of significant accounting policies (cont'd)**

k) **Leases (cont'd)**

The accounting policy for leases before 1 July 2019 is as follows (cont'd):

When the Group entity is the lessee (cont'd):

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.

When the Group entity is the 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.

The accounting policy for leases from 1 July 2019 onwards is as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group entity is the lessee:

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases and leases of low-value assets. For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented as a separate line in the statements of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 Summary of significant accounting policies (cont'd)

k) Leases (cont'd)

The accounting policy for leases from 1 July 2019 onwards is as follows (cont'd):

When the Group entity is the lessee (cont'd):

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the cost relates to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. The lease term of leasehold land is 32 years.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate item in the statements of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(i).

When a Group entity is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

l) Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 Summary of significant accounting policies (cont'd)

l) Income taxes (cont'd)

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associated companies and joint venture, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

m) Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets are added to the fair value of the financial assets on initial recognition. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets in the following measurement categories:

- Amortised cost; and
- Fair value through other comprehensive income ("FVOCI").

The classification is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

2 **Summary of significant accounting policies (cont'd)**

m) **Financial assets (cont'd)**

Subsequent measurement

i) *Debt instruments*

Debt instruments include cash and bank balances, fixed deposits, trade and other receivables (excluding "prepayments", "advances to suppliers", "grant receivable" and "other tax recoverable") and related parties balances. These are subsequently measured at amortised cost based on the Group's business model for managing the asset and cash flow characteristic of the asset.

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

ii) *Equity instruments*

The Group subsequently measures all its equity investments at their fair values. For equity investments which are not held for trading or not a contingent consideration recognised by an acquirer in a business combination, the Group may make an irrevocable election (on an investment by investment basis) to designate equity investments as at FVOCI.

The Group has designated all of its equity investments that are not held for trading as FVOCI at initial recognition. Gains and losses arising from changes in fair value of these equity investments classified as FVOCI are presented as "fair value gains/losses" in other comprehensive income and accumulated in fair value reserve and will never be reclassified to profit or loss. On disposal of an equity investment, the difference between the carrying amount and sales proceed amount would be recognised in profit or loss except for equity investment designated at FVOCI which would be recognised in other comprehensive income. Fair value reserve relating to the disposed asset would be transferred to accumulated losses upon disposal. Dividends from equity investments are recognised in profit or loss and presented in "other income". Equity investments classified as FVOCI are not subject to impairment assessment.

Impairment

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

2 **Summary of significant accounting policies (cont'd)**

m) **Financial assets (cont'd)**

Impairment (cont'd)

For trade receivables that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment gain or loss in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Offset

Financial assets and liabilities are offset and the net amount presented on the statements of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

n) **Cash and cash equivalents**

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group's cash management and exclude pledged deposits.

o) **Financial liabilities**

Financial liabilities include trade and other payables (excluding "grant payable" and "deferred grant income"), due to non-controlling interests, related parties balances, borrowing and lease liabilities. Financial liabilities are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

A financial liability is derecognised when the obligation under the liability is extinguished. Gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

p) **Share capital**

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

q) **Provisions for other liabilities**

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at management's best estimate of the expenditure required to settle the obligation at the reporting date. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage of time is recognised as a finance cost in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 Summary of significant accounting policies (cont'd)

r) Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in the profit or loss using the effective interest method.

s) Employee benefits

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 reporting date.

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, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

t) Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and the Company are presented in Singapore dollar, which is the Company's functional currency.

Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are included in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

2 Summary of significant accounting policies (cont'd)

t) Foreign currencies (cont'd)

Translation of Group entities' financial statements

The results 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 Group's presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities are translated at the closing rates at the end of the reporting period;

(ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

(iii) All resulting exchange differences are recognised in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign group entity, the cumulative amount of the currency translation reserve relating to that particular foreign entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

u) Dividend

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

v) Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statements of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments. Alternatively, the grant may be presented in the statements of financial position by deducting the grant in arriving at the carrying amount of the asset.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

2 Summary of significant accounting policies (cont'd)

x) Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. 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.

The assets are not depreciated or amortised while they are classified as held for sale.

3 Critical accounting judgement and key sources of estimation uncertainty

Key sources of estimation uncertainty

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, are discussed below.

Impairment of property, plant and equipment and right-of-use assets

At each reporting date, the Group assesses whether there are any indications of impairment for property, plant and equipment and right-of-use assets. The Group also assesses whether there is any indication that an impairment loss recognised in prior periods for a property, plant and equipment, other than goodwill, may no longer exist or may have decreased.

If any such indication exists, the Group estimate the recoverable amount of that asset. An impairment loss exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. An impairment loss recognised in prior periods shall be reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset or cash-generating unit and a suitable discount rate in order to determine the present value of the cash flows. The carrying values of the Group's property, plant and equipment and right-of-use assets are disclosed in Notes 14 and 24.

Calculation of loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions, as well as the implications of the COVID-19 pandemic on the assumptions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on receivables and loans is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of trade and other receivables. Details of ECL measurement and carrying values of trade and other receivables are disclosed in Note 38(b).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

3 Critical accounting judgement and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Estimating the incremental borrowing rate for leases

The Group uses the incremental borrowing rate to measure the lease liabilities because the interest rate implicit in the lease is not readily determinable. The incremental borrowing rate is the rate of interest that a lessee would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate therefore reflects what would the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs such as market interest rates, when available and is required to make certain entity-specific estimates, such as the subsidiary's stand-alone credit rating. Any change in estimation of incremental borrowing rate may have a significant impact to the determination of lease liabilities and right-of-use assets at the date of initial application of SFRS(I) 16. The carrying amount of lease liabilities and right-of-use assets are disclosed in Note 24.

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.

In 2019, the Group had written back an allowance of inventory obsolescence of $496,817. In 2020, inventories amounting to $57,927 (2019: $186,423) were written off during the financial year.

Further details of the allowance for inventories and the carrying amount of the Group's inventories are disclosed in Note 21.

Impairment of investment in subsidiaries

During the financial year, the Company performed an impairment assessment to determine the recoverable amounts of the Company's cost of investment in subsidiaries. The Company has assessed the recoverable amount of its investment in subsidiaries based on fair value less cost to sell and value-in-use of the investment in subsidiaries using the discounted cash flow method. The determination of fair value less cost to sell involves valuation of freehold and leasehold properties by independent valuers and estimation of the underlying fair value of the net assets of the subsidiaries with consideration of current COVID-19 pandemic. The use of the value-in-use calculations involves significant judgement and estimates in the cash flows forecast for the next five years and terminal value. The value-in-use calculations also include assumptions on the discount rate and terminal year growth rate. These key inputs and assumptions were estimated by management based on prevailing market, economic and other conditions at the end of the reporting period, and based on management's estimations of the expected revenue growth and recovery in business conditions amidst the current COVID-19 pandemic.

The Company recognised an impairment loss on investment in subsidiaries of $2,348,320 (2019: $1,587,655) during the financial year ended 30 June 2020. The carrying amount of investment in subsidiaries is disclosed in Note 15. The impairment loss has no impact on the consolidated financial statements of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

4 Revenue

The Group's revenue is disaggregated by type of good or service, principal geographical areas and timing of revenue recognition. This is consistent with the revenue information as disclosed in Note 37.

	Group	
	2020	2019
	$	$
Type of good or service		
Revenue from sale of goods	**15,009,837**	17,126,154
Revenue from maintenance services	**165,874**	341,712
Revenue from rental of equipment	**816**	105,411
	15,176,527	17,573,277
Principal geographical market		
Singapore	**1,380,025**	3,728,907
Australia	**111,660**	587,757
Malaysia	**218,488**	20,783
Thailand	**202,123**	1,004,535
United States of America	**4,048,300**	4,597,117
United Arab Emirates	**3,052,009**	3,677,519
Saudi Arabia	**1,873,055**	1,242,630
Japan	**1,548,844**	–
Others	**2,742,023**	2,714,029
	15,176,527	17,573,277
Timing of transfer of good or service		
At a point in time	**15,009,837**	17,126,154
Over a period of time	**166,690**	447,123
	15,176,527	17,573,277

During the financial year, revenue amounted to $620,493 (2019: $785,236) was recognised from contract liabilities at the beginning of the financial year.

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining performance obligation if the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

5 Other operating income

	Group	
	2020	2019
	$	$
Foreign exchange gain	**387,417**	–
Gain on disposal of property, plant and equipment	**–**	209,123
Gain on disposal of assets classified as held for sale	**659,713**	–
Gain on disposal of business*	**–**	818,580
Other income	**95,768**	156,739
Write back of allowance for inventory obsolescence	**–**	496,817
	1,142,898	1,681,259

* In 2019, the Group disposed its South-East Asian business in a subsidiary, Mid-Continent Equipment Group Pte Ltd. The disposal of the business included the transfer of inventories, intellectual property rights and certain employees. The consideration received in cash was $1,364,300 (US$1,000,000) and the carrying amount of the attributable inventories disposed was $545,720 (US$400,000), resulting in a gain on disposal of $818,580 (US$600,000).

6 Other operating expenses

	Group	
	2020	2019
	$	$
Allowance for impairment on property, plant and equipment	**–**	12,974,966
Bad debts written off	**2,341**	–
Foreign exchange loss	**–**	618,609
Inventory written off	**57,927**	186,423
Loss on disposal and de-registration of subsidiaries [Note 15(e)]	**174,485**	–
Loss on disposal of other financial assets	**1,487**	49,009
Loss on disposal of property, plant and equipment	**42,631**	–
Other financial assets written off	**–**	21,229
Property, plant and equipment written off	**20,565**	–
	299,436	13,850,236

7 Distribution and marketing expenses

	Group	
	2020	2019
	$	$
Entertainment expenses	**24,160**	26,097
Public relation expenses	**4,503**	8,856
Travelling expenses	**71,136**	71,999
	99,799	106,952

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

8 Administrative expenses

These include:

	Group	
	2020	2019
	$	$
Audit fees		
- Company auditors	**109,000**	119,328
- Other auditors*	**50,223**	43,967
Non-audit fees		
- Company auditors	**–**	–
- Other auditors*	**–**	–
Depreciation of property, plant and equipment (Note 14)	**52,760**	239,177
Depreciation of right-of-use assets (Note 24)	**55,687**	–
Insurance expenses	**162,422**	174,050
Lease expenses (Note 24)	**124,909**	214,924
Personnel expenses (Note 9)	**2,062,544**	2,818,053

* Include independent member firm of the Baker Tilly International network.

9 Personnel expenses

	Group	
	2020	2019
	$	$
Staff costs:		
- wages, salaries and bonuses	**1,120,687**	1,816,193
- defined contribution plans	**115,564**	128,897
- other personnel expenses	**29,118**	13,138
	1,265,369	1,958,228
Directors’ wages, salaries and bonuses:		
- directors of the Company	**172,174**	–
- directors of subsidiaries	**495,040**	644,984
Directors’ defined contribution plans:		
- directors of the Company	**3,240**	–
- directors of subsidiaries	**12,925**	8,566
Directors’ fees:		
- directors of the Company	**55,959**	146,275
- directors of subsidiaries	**57,837**	60,000
Total directors’ remuneration	**797,175**	859,825
Total personnel expenses (Note 8)	**2,062,544**	2,818,053

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

10 Interest income

	Group	
	2020	2019
	$	$
Interest income		
- bank and fixed deposits and others	**27,810**	68,829

11 Finance costs

	Group	
	2020	2019
	$	$
Interest expense		
- bank overdrafts	**–**	87
- finance leases	**–**	565
- borrowings	**16**	31,726
- lease liabilities (Note 24)	**68,702**	–
	68,718	32,378
Bank charges	**20,152**	31,574
	88,870	63,952

12 Tax expense

Tax expense attributable to losses is made up of:

	Group	
	2020	2019
	$	$
Income tax		
- Current year	**121,492**	122,310
- Over provision in prior year	**(26,231)**	(8)
	95,261	122,302
Deferred tax (Note 20)		
- Current year	**–**	40,315
- Under provision in prior year	**160**	–
	160	40,315
Withholding tax	**228,571**	–
	323,992	162,617

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

12 Tax expense (cont'd)

The income tax expense on the results of the financial year differs from the amount of income tax determined by applying the Singapore statutory rate of income tax due to the following factors:

	Group	
	2020	2019
	$	$
Loss before tax	**(2,194,337)**	(17,297,935)
Tax calculated at a tax rate of 17% (2019: 17%)	**(373,037)**	(2,940,649)
Effect of different tax rates in other countries	**64,478**	(18,328)
Income not subject to tax	**(100,961)**	(89,483)
Expenses not deductible for tax purposes	**198,681**	3,028,085
Deferred tax asset not recognised	**478,378**	183,000
Utilisation of deferred tax assets previously not recognised	**(146,047)**	–
Over provision of income tax in prior year	**(26,231)**	(8)
Under provision of deferred tax in previous financial year	**160**	–
Withholding tax	**228,571**	–
	323,992	162,617

Domestic income tax is calculated at 17% (2019: 17%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

13 Loss per share

The calculation of the basic and diluted earnings per share attributable to the equity holders of the Company is based on the following data:

	Group	
	2020	2019
	$	$
Loss for the financial year attributable to equity holders of the Company	**(2,167,481)**	(17,465,311)
Weighted average number of ordinary shares for basic and diluted losses per share	**12,632,507,107**	12,632,507,107
Basic and diluted losses per share (cents)	**(0.02)**	(0.14)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

14 Property, plant and equipment

	Freehold land	Freehold building	Machinery, tools and equipment	Motor vehicles	Computers	Office equipment	Furniture and fittings	Renovation	Construction-in-progress	Total
	$	$	$	$	$	$	$	$	$	$
Group										
2020										
Cost										
At 1 July 2019	85,016	323,058	608,071	442,937	395,988	17,235	615,099	65,312	12,950,339	15,503,055
Additions	–	–	–	–	2,299	–	–	–	–	2,299
Disposals	–	–	(346,618)	(320,313)	(3,163)	–	(28,835)	–	–	(698,929)
Write-off	–	–	(232,239)	–	(352,930)	(1,782)	(573,388)	(55,247)	–	(1,215,586)
Currency translation differences	2,686	10,203	(17,662)	4,329	79,167	–	4,601	226	367,746	451,296
At 30 June 2020	**87,702**	**333,261**	**11,552**	**126,953**	**121,361**	**15,453**	**17,477**	**10,291**	**13,318,085**	**14,042,135**
Accumulated depreciation and impairment loss										
At 1 July 2019	–	–	583,422	136,265	382,751	13,727	574,964	65,312	12,897,989	14,654,430
Depreciation charge	–	–	1,068	39,801	6,221	1,932	3,738	–	–	52,760
Disposals	–	–	(334,086)	(148,396)	(3,109)	–	(14,898)	–	–	(500,489)
Write-off	–	–	(232,239)	–	(346,003)	(1,782)	(559,750)	(55,247)	–	(1,195,021)
Currency translation differences	–	–	(18,165)	799	78,861	–	4,830	226	366,093	432,644
At 30 June 2020	**–**	**–**	**–**	**28,469**	**118,721**	**13,877**	**8,884**	**10,291**	**13,264,082**	**13,444,324**
Net carrying value										
At 30 June 2020	**87,702**	**333,261**	**11,552**	**98,484**	**2,640**	**1,576**	**8,593**	**–**	**54,003**	**597,811**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

14 Property, plant and equipment (cont'd)

	Freehold land $	Freehold building $	Leasehold buildings and improvements $	Machinery tools and equipment $	Motor vehicles $	Computers $	Office equipment $	Furniture and fittings $	Renovations $	Construction-in-progress $	Total $
Group											
2019											
Cost											
At 1 July 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
Additions	–	–	–	14,239	124,185	3,652	–	–	–	78,627	220,703
Disposals	–	(215,580)	–	(131,085)	(147,866)	(53,999)	(457)	(81,468)	–	–	(630,455)
Reclassified as assets held for sale	(491,161)	(477,420)	(4,881,251)	–	–	–	–	–	–	–	(5,849,832)
Currency translation differences	(31,231)	102,905	(53,390)	(32,588)	(1,272)	29,225	(28,925)	(39,867)	10,065	(74,600)	(119,678)
At 30 June 2019	85,016	323,058	–	608,071	442,937	395,988	17,235	615,099	65,312	12,950,339	15,503,055
Accumulated depreciation and impairment loss											
At 1 July 2018	–	126,707	964,667	743,049	233,538	392,973	40,731	632,880	38,366	–	3,172,911
Depreciation charge	–	16,811	118,690	1,236	47,847	14,254	1,932	21,526	16,881	–	239,177
Disposals	–	(76,058)	–	(128,282)	(144,935)	(46,464)	(457)	(40,556)	–	–	(436,752)
Eliminated on reclassified as assets held for sale	–	(61,920)	(1,063,824)	–	–	–	–	–	–	–	(1,125,744)
Impairment losses recognised in profit or loss	–	–	–	–	–	–	–	–	–	12,974,966	12,974,966
Currency translation differences	–	(5,540)	(19,533)	(32,581)	(185)	21,988	(28,479)	(38,886)	10,065	(76,977)	(170,128)
At 30 June 2019	–	–	–	583,422	136,265	382,751	13,727	574,964	65,312	12,897,989	14,654,430
Net carrying value											
At 30 June 2019	85,016	323,058	–	24,649	306,672	13,237	3,508	40,135	–	52,350	848,625

In 2019, the Group's freehold land, freehold building and leasehold buildings and improvements with a net carrying value of $4,724,088 was reclassified to assets classified as held for sale (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

14 Property, plant and equipment (cont'd)

	Motor vehicles $	Computers $	Office equipment $	Furniture and fittings $	Renovation $	Total $
Company						
2020						
Cost						
At 1 July 2019	298,987	44,490	17,235	17,477	55,247	433,436
Additions	–	2,299	–	–	–	2,299
Disposals	(298,987)	–	–	–	–	(298,987)
Write-off	–	(30,919)	(1,782)	–	(55,247)	(87,948)
At 30 June 2020	**–**	**15,870**	**15,453**	**17,477**	**–**	**48,800**
Accumulated depreciation						
At 1 July 2019	112,120	44,490	13,727	6,724	55,247	232,308
Depreciation charge	14,950	2,299	1,932	2,160	–	21,341
Disposals	(127,070)	–	–	–	–	(127,070)
Write-off	–	(30,919)	(1,782)	–	(55,247)	(87,948)
At 30 June 2020	**–**	**15,870**	**13,877**	**8,884**	**–**	**38,631**
Net carrying value						
At 30 June 2020	**–**	**–**	**1,576**	**8,593**	**–**	**10,169**
2019						
Cost						
At 1 July 2018	298,987	69,260	17,692	28,785	55,247	469,971
Disposals	–	(24,770)	(457)	(11,308)	–	(36,535)
At 30 June 2019	298,987	44,490	17,235	17,477	55,247	433,436
Accumulated depreciation						
At 1 July 2018	82,222	69,260	12,252	15,871	38,366	217,971
Depreciation charge	29,898	–	1,932	2,161	16,881	50,872
Disposals	–	(24,770)	(457)	(11,308)	–	(36,535)
At 30 June 2019	112,120	44,490	13,727	6,724	55,247	232,308
Net carrying value						
At 30 June 2019	186,867	–	3,508	10,753	–	201,128

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

14 Property, plant and equipment (cont'd)

In 2019, impairment losses recognised in respect of construction-in-progress amounted to $12,974,966 as a result of the asset being written down to its recoverable amount. The recoverable amount of the construction-in-progress was its fair value less costs of disposal. The fair value of the construction-in-progress was regarded as Level 3 in the fair value hierarchy.

Valuation techniques used to derive Level 3 fair values

Description	Fair value as at 30 June 2019 $	Valuation technique	Unobservable inputs	Inter-relationship between key observable inputs
Construction-in-progress	52,350	Market comparison technique – the fair value is based on the market price of scrap metal of the construction-in-progress asset	Not applicable	Not applicable

The construction-in-progress relates to the microalgae oil plant in Selangor, Malaysia. Those assets belonged to the Group's renewable energy segment. The impairment losses have been included in the line item "other operating expenses" in the consolidated statement of comprehensive income.

(a) Details of land and building 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

(b) In 2019, the Group had a motor vehicle with a net book value of $186,867 registered in the name of a key management personnel of the Company held in trust for the Group.

15 Investment in subsidiaries

	Company	
	2020	2019
	$	$
Unquoted shares, at cost:		
Balance at beginning of financial year	**13,742,241**	16,204,821
Addition during financial year	–	3,126,420
Capital reduction by a subsidiary	–	(5,589,000)
Balance at end of financial year	**13,742,241**	13,742,241
Impairment allowances:		
Balance at beginning of financial year	**4,317,003**	2,729,348
Addition during financial year	**2,348,320**	1,587,655
Balance at end of financial year	**6,665,323**	4,317,003
Net carrying amount	**7,076,918**	9,425,238

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

15 Investment in subsidiaries (cont'd)

(a) Details of the Company's subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held by the Group 2020 %	2019 %
Held by the Company				
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 and production of microalgae oil	Malaysia	**100.00**	100.00
MEG Global Resources Limited ("MGR")[2]	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")[2, 5]	Investment holding, property and infrastructure development and trading of natural resources	Indonesia	**100.00**	100.00
Mid-Continent Enterprises, LLC("MELLC")[2]	Holding of warehouse property	United States of America	**99.00**	99.00
Mid-Continent Equipment, Inc. ("MEI")[3]	Supply of oilfield equipment	United States of America	**80.00**	80.00
Held by MGR				
PT MEG Harta Indonesia ("PT MEG")[2, 5]	Investment holding, property and infrastructure development and trading of natural resources	Indonesia	**100.00**	100.00

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

15 Investment in subsidiaries (cont'd)

(a) Details of the Company's subsidiaries are as follow (cont'd):

Name of subsidiary	Principal activities	Country of incorporation	Effective equity interest held by the Group 2020 %	2019 %
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 Environmental Project Pte Ltd ("MEP")[4]	Sale and rental of decanters and provision of environmental and waste management services	Singapore	–	55.89

The above subsidiaries are audited by Baker Tilly TFW LLP except as set out in the following notes:

1 Audited by Baker Tilly TFW LLP for group consolidation purposes.

2 Not required to be audited under the laws of its country of incorporation but was audited by Baker Tilly TFW LLP, Singapore for group consolidation purposes.

3 Not required to be audited under the laws of its country of incorporation but was audited by independent overseas member firm of Baker Tilly International for group consolidation purposes.

4 De-registered during the financial year ended 30 June 2020.

5 The 100% effective equity interest held by the Group is through the Company of 90% and MGR of 10% respectively.

(b) Summarised financial information of subsidiaries with material non-controlling interest ("NCI")

The Group has the following subsidiaries that have NCI that are considered by management to be material to the Group:

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI
30 June 2020		
MEG group	Singapore	**44.11%**
MEI	United States of America	**20.00%**
30 June 2019		
MEG group	Singapore	44.11%
MEI	United States of America	20.00%

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

15 **Investment in subsidiaries (cont'd)**

(b) Summarised financial information of subsidiaries with material non-controlling interest ("NCI") (cont'd)

The following are the summarised financial information. These financial information include consolidation adjustments but before inter-company eliminations.

Summarised Statement of Financial Position

	MEG group		MEI	
	2020	2019	**2020**	2019
	$	$	**$**	$
Non-current assets	**7,710**	41,703	**101,124**	124,225
Current assets	**6,781,852**	10,626,724	**3,025,695**	4,520,716
Non-current liabilities	**(1,706,895)**	–	**(61,238)**	–
Current liabilities	**(262,891)**	(5,192,311)	**(1,097,885)**	(2,194,441)
Net assets	**4,819,776**	5,476,116	**1,967,696**	2,450,500
Net assets attributable to NCI	**2,126,003**	2,415,515	**393,539**	490,100

Summarised Statement of Comprehensive Income

	MEG group		MEI	
	2020	2019	**2020**	2019
	$	$	**$**	$
Revenue	**372,043**	13,772,996	**14,804,484**	3,807,055
(Loss)/profit before tax	**(1,001,970)**	107,957	**533,373**	(340,169)
Income tax credit/(expenses)	**26,071**	(162,625)	**(121,492)**	–
(Loss)/profit after tax	**(975,899)**	(54,668)	**411,881**	(340,169)
Other comprehensive income	**319,559**	655,754	**71,725**	37,530
Total comprehensive (loss)/ income	**(656,340)**	601,086	**483,606**	(302,639)
(Loss)/profit allocated to NCI	**(289,512)**	357,217	**96,721**	(60,528)
Dividend paid to NCI	**–**	–	**(193,282)**	–

Summarised Statement of Cash Flows

	MEG group		MEI	
	2020	2019	**2020**	2019
	$	$	**$**	$
Cash flows (used in)/ generated from operating activities	**(962,805)**	1,408,784	**568,008**	258,332
Cash flows generated from/(used in) investing activities	**4,411,033**	(4,438,616)	**251,046**	(126,685)
Cash flows used in financing activities	**(4,854,365)**	(995,072)	**(876,848)**	(378,560)
Net decrease in cash and cash equivalents	**(1,406,137)**	(4,024,904)	**(57,794)**	(246,913)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

15 Investment in subsidiaries (cont'd)

(c) Addition

Transfer of subsidiaries within the Group

In 2019, MEG Group completed a share capital reduction exercise of $10,000,000. The Company's portion of the return of share capital was $5,589,000. The subsidiaries, MEI and MELLC, previously held by MEG, were transferred to the Company as partial repayment for MEG Group's share capital reduction exercise. The Company recognised the cost of investment in MEI and MELLC of $2,098,756 and $1,027,664 respectively, based on the fair value of the identifiable net assets transferred.

The return of share capital to non-controlling interest was $4,411,000.

(d) Impairment review of investment in subsidiaries

Mid-Continent Equipment Group Pte Ltd. and its subsidiaries ("*MEG Group*")

During the financial year, management performed impairment review on the Company's investment in MEG Group as MEG Group had been making losses in current and previous financial year and the carrying amount of the net assets of MEG Group was less than the cost of investment as at 30 June 2020. An impairment loss of $2,334,996 (2019: $746,718) was recognised to write down the cost of investment in MEG Group to its aggregate recoverable amount of $3,950,496 (2019: $6,285,492).

The aggregate recoverable amount of MEG Group is measured based on fair value less costs to sell ("FVLCS") as MEG Group has ceased operation during the financial year ended 30 June 2020. The FVLCS was based on management's estimates, with reference to the fair value of the freehold and leasehold properties and other net assets of MEG Group. The freehold and leasehold properties of MEG Group were valued by independent valuers based on direct comparison method and capitalisation method with consideration of current COVID-19 pandemic. The current property market is uncertain and the carrying value of the investment in MEG Group may be further affected by the impact and timing of recovery of the property market impacted by COVID-19 outbreak subsequent to the end of the reporting date. The fair value measurement is categorised in Level 3 of the fair value hierarchy.

MEG Global Resources Limited ("MGR")

During the financial year, management performed impairment review on the Company's investment in MGR as there was no expected business plan for MGR that is expected to improve the financial position and the results of MGR. An impairment loss of $13,324 was recognised to write down the cost of investment in MGR to its recoverable amount of $Nil.

Mid-Continent Equipment, Inc. ("MEI")

During the financial year, management performed impairment review on the Company's investment in MEI as the carrying amount of the net assets of MEI was less than the cost of investment as at 30 June 2020. The recoverable amount of the investment was determined based on value-in-use calculations using cash flow projections from forecast covering a five-year period. There was no impairment loss recognised for the financial year ended 30 June 2020.

The key assumptions for the value-in-use calculations are those regarding the budgeted revenue growth rate of 5%, budgeted gross margin of 11%, 1% terminal growth rate and pre-tax discount rate of 11.5%. Management estimates discount rate using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to economic and other conditions of MEI at the end of the reporting period with the consideration of current COVID-19 pandemic. The budgeted revenue growth rate is based on past performance and management's assessment of future trends and development in the market. Budgeted gross margin is based on past performance.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

15 Investment in subsidiaries (cont'd)

(d) Impairment review of investment in subsidiaries (cont'd)

MEG Management Sdn. Bhd. ("MMSB")

In previous financial year, an allowance for impairment loss of $840,937 was made on the cost of investment in MMSB 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 MMSB. The fair value less costs to sell was based on management's estimate of the market disposal price of MMSB's assets and liabilities as at 30 June 2019.

(e) De-registration of MEP

	Group 2020 $
Assets	
Other receivables	174,485
Net assets derecognised	174,485
Loss on derecognition of subsidiary	
Net assets derecognised	174,485
Loss from derecognition of subsidiary	174,485

16 Investments in joint venture

The Group's investment in joint venture is summarised below:

	Group	
	2020	2019
	$	$
Carrying amount:		
MEP Waste Management (M) Sdn Bhd	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

16 Investments in joint venture (cont'd)

Details of joint venture:

Name of joint venture company	Country of incorporation	Principal activities	Group's equity interest held	
			2020 %	2019 %
Held through MEP				
MEP Waste Management (M) Sdn Bhd[1,2]	Malaysia	Provision of environmental and waste management services	–	27.95

[1] Audited by C.F. NG & Co, Chartered Accountant, Malaysia.

[2] Disposed during the financial year ended 30 June 2020.

On 30 December 2019, MEP completed the disposal of its entire shareholding interest in MEP Waste Management (M) Sdn Bhd for a cash consideration of Ringgit Malaysia 1.00 (equivalent to $0.30).

17 Goodwill

	Group	
	2020 $	2019 $
Cost		
Balance at the beginning and end of the financial year	**1,866,733**	1,866,733
Accumulated impairment		
Balance at the beginning and end of the financial year	**1,866,733**	1,866,733
Net carrying amount	–	–

18 Other intangible assets

	Group	
	2020 $	2019 $
Exploration, evaluation and development expenditure		
Cost		
Balance at beginning of financial year	–	5,165,985
Write off	–	(5,165,985)
Balance at end of financial year	–	–
Accumulated impairment		
Balance at beginning of financial year	–	5,165,985
Write off	–	(5,165,985)
Balance at end of financial year	–	–
Net carrying amount	–	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

18 Other intangible assets (cont'd)

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 explained in Note 2(h). 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.

In previous financial year, the Group had withdrawn its interest in PRL 173 and 174. Pursuant to the withdrawal, the Group had written off both the cost and allowance of impairment loss of $5,165,985 during the financial year ended 30 June 2019.

19 Other financial assets

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Non-current assets				
Financial assets at fair value through other comprehensive income ("FVOCI")				
Quoted equity shares	**40**	476,707	**40**	476,707

As per the Group's investment policy, these investments in quoted equity shares are not held for trading.

Accordingly, management has elected to designate this investment at fair value through other comprehensive income. It is the Group's strategy to hold this investment for long-term purposes.

The fair values of quoted equity securities are based on closing quoted market prices on the last market day of the financial year. The quoted securities are listed on the Australian Securities Exchange.

20 Deferred tax assets

The movements in the deferred tax assets account are as follows:

	Group	
	2020	2019
	$	$
Balance at beginning of the financial year	**7,631**	50,116
Charge to profit or loss (Note 12)	**(160)**	(40,315)
Currency translation differences	**239**	(2,170)
Balance at end of the financial year	**7,710**	7,631
Representing:		
Non-current		
Deferred tax assets	**7,710**	7,631

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

20 Deferred tax assets (cont'd)

The following are deferred tax assets recognised by the Group and movements thereon, during the current and prior reporting periods.

	Property, plant and equipment $
At 1 July 2018	50,116
Credit to profit or loss (Note 12)	(40,315)
Currency translation differences	(2,170)
At 30 June 2019	7,631
Credit to profit or loss (Note 12)	(160)
Currency translation differences	239
At 30 June 2020	**7,710**

At 30 June 2020, the Group has unutilised tax losses of approximately $34,802,000 (2019: $29,791,000). Except for subsidiary in Malaysia, MEG Management Sdn Bhd ("MMSB"), these potential tax benefits are available for carry-forward indefinitely to set-off against future taxable income, subject to compliance with relevant provisions of the tax legislation of the respective countries in which the companies operate.

The availability of unused tax losses for offsetting against future taxable profits of the MMSB is subject to requirements under the Income Tax Act, 1967 and guidelines issued by the tax authority.

With effect from year of assessment 2019, unutilised tax losses in a year of assessment can only be carried forward for a maximum period of 7 consecutive years of assessment. Accumulated unutilised tax loss brought forward from year of assessment 2019 can be utilised for another 7 years of assessment and will be disregarded in year of assessment 2026.

The potential deferred tax assets arising from these unutilised losses and unabsorbed capital allowances have not been recognised in the financial statements as it is not probable that future taxable profit will be sufficient to allow the related tax benefits to be realised.

21 Inventories

	Group	
	2020	2019
	$	$
Finished goods	**516,667**	1,329,300
Work in progress	–	5,747
Goods-in-transit	**23,098**	18,291
	539,765	1,353,338

During the financial year, the Group's inventories included as cost of sales amounted to $13,551,518 (2019: $15,542,823).

In 2019, the Group had recognised a write back of allowance for inventory obsolescence of $496,817 due to sale of goods above the carrying amounts. In 2020, inventories amounting to $57,927 (2019: $186,423) were written off during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

22 Trade and other receivables

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Trade receivables	**990,182**	1,928,669	**–**	–
Less: allowance for impairment [Note 38(b)(iii)]	**(136,753)**	(142,117)	**–**	–
	853,429	1,786,552	**–**	–
Advances to suppliers	**–**	55,911	**–**	–
Loan receivable from third party (a)	**7,253,091**	7,253,091	**–**	–
Less: allowance for impairment (a)	**(7,253,091)**	(7,253,091)	**–**	–
	–	–	**–**	–
Amount receivable for disposal of quoted equity shares (b)	**2,048,230**	2,048,230	**–**	–
Less: allowance for impairment (b)	**(2,048,230)**	(2,048,230)	**–**	–
	–	–	**–**	–
Amount recoverable from Joint Investment (c)	**1,407,500**	1,407,500	**1,407,500**	1,407,500
Less: allowance for impairment (c)	**(1,407,500)**	(1,407,500)	**(1,407,500)**	(1,407,500)
	–	–	**–**	–
Other receivables	**50,323**	–	**22,512**	6,420
Deposits	**31,346**	208,310	**10,350**	193,100
Grant receivable	**21,675**	–	**21,675**	–
Prepayments	**10,254**	14,247	**8,321**	8,205
Other interest receivable	**–**	29,245	**–**	–
Other tax recoverable	**1,755**	23,200	**–**	33,363
	968,782	2,117,465	**62,858**	241,088

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

(a) Loan receivable from third party relates to Redeemable Convertible Loan ("RCL") and amount recoverable from Indonesia Projects

In 2015, MGR, a subsidiary of the Group, had entered into a 9.0% Redeemable Convertible Loan ("RCL") agreement with PT Hanjungin ("PTH") for an aggregate amount of up to $5 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 $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 was 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 was secured by an 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

22 Trade and other receivables (cont'd)

(a) Loan receivable from third party relates to Redeemable Convertible Loan ("RCL") and amount recoverable from Indonesia Projects (cont'd)

In 2017, the Group and PTH mutually agreed to early terminate projects in Indonesia ("Road and Dam Projects"). Pursuant to the terms of the early termination, PTH shall return the full advanced amount of $4.9 million. During the financial year ended 30 June 2017, the Group had recovered $3 million from PTH.

In 2018, the Group and PT Hanjungun ("PTH") entered into a Deed of Acknowledgement of Indebtedness ("Deed") whereby the balancing from the amount recoverable from Indonesia Projects and the Redeemable Convertible Loan including interest receivable were consolidated into an interest-bearing loan with a principal amount of $7.3 million. The loan bore 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.

In 2018, a lawsuit had been filed by a third party, to which PTH had been identified as a co-defendant. The lawsuit pertained to a dispute over the ownership of the land which encompasses the development site in Kupang. The Group had engaged an independent legal advisor on the matter. The legal advisor was 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. Accordingly, the Group recognised a full impairment of $7,253,091 as at 30 June 2018.

In view of the ongoing legal proceedings and uncertainty over the legal ownership of the Kupang Land, management had assessed that no change in the allowance for impairment loss of $7,253,091 as at 30 June 2020.

(b) Amount receivable for disposal of quoted equity shares

In 2017, the Group disposed of 9,000,000 quoted equity shares in GCM Resources Plc ("GCM") to a third party for a consideration of approximately $3.1 million. In 2019, $2,048,230 remains outstanding and there was no repayment from a third party. Management had assessed that the default risk on the receivable had increased significantly and accordingly, the Group recognised a full impairment of $2,048,230 as at 30 June 2019.

(c) Amount recoverable from Joint Investment

In 2016, the Company entered into a joint investment agreement with Yangtze Investment Partners Limited ("Yangtze"), a company incorporated in Hong Kong, to invest US$1 million (approximately $1.4 million) (the "Joint Investment Amount") for an investment in a potential initial public offering of a renewable energy company.

In 2017, the Company terminated the joint investment agreement with Yangtze. The loss allowance on the amount recoverable from Joint Investment was $1,407,500.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

23 Related parties balances

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Due from:				
- Subsidiaries (non-trade)	**–**	–	**22,739,466**	24,613,104
Less: allowance for impairment [Note 38(b)(iii)]	**–**	–	**(22,739,466)**	(22,524,464)
	–	–	**–**	2,088,640
- Joint venture entities (non-trade)	**–**	209,398	**–**	–
	–	209,398	**–**	2,088,640
Due to:				
- Subsidiaries (non-trade)	**–**	–	**(134,700)**	(385,448)
- Joint venture entity (trade)	**–**	(113,960)	**–**	–
	–	(113,960)	**(134,700)**	(385,448)

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 Right-of-use assets and lease liabilities

The Group as a lessee

Nature of the Group's leasing activities

The Group's leasing activities comprise the following:

i) The Group leases a leasehold land from JTC Corporation. The lease has remaining lease period of 32 years.

ii) In addition, the Group leases various office units and office equipment with contractual terms of 6 months to 2 years. These leases are short-term and/or low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The right-of-use of the leasehold land is associated with the assets classified as held for sale as disclosed in Note 27 and is classified under current asset in the consolidated statement of financial position.

The maturity analysis of the lease liabilities is disclosed in Note 38(b).

Information about leases for which the Group is a lessee is presented below:

Amounts recognised in statements of financial positions

	Group	
	30.6.2020	1.7.2019
	$	$
Carrying amounts of right-of-use assets		
Current asset		
Leasehold land	**1,762,707**	1,800,556
Carrying amounts of lease liabilities		
Current	**1,735,637**	1,800,556

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

24 Right-of-use assets and lease liabilities (cont'd)

Information about leases for which the Group is a lessee is presented below (cont'd):

Amounts recognised in profit or loss

	Group 2020 $
Depreciation charge for the financial year	
Leasehold land (Note 8)	**55,687**
Lease expense not included in the measurement of lease liabilities	
Lease expense - short term leases	**118,791**
Lease expense - low value assets leases	**6,118**
Total (Note 8)	**124,909**
Interest expense on lease liabilities (Note 11)	**68,702**

Total cash flows for leases amounted to $221,244 in current financial year.

25 Cash and bank balances

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Current				
Bank and cash balances	**2,963,522**	3,353,420	**1,004,801**	169,488

26 Fixed deposits

	Group	
	2020	2019
	$	$
Fixed deposits (restricted)	–	3,325,052
Fixed deposits (unrestricted)	–	140,405
	–	3,465,457

In 2019, fixed deposits bore interest ranging from 1.8% to 2.2% per annum and had maturity periods ranging from 3 to 12 months. The restricted fixed deposits were pledged as security against bank overdrafts facility.

27 Assets classified as held for sale

	Group	
	2020	2019
	$	$
Assets classified as held for sale	**4,555,992**	4,724,088

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

27 Assets classified as held for sale (cont'd)

In 2019, the Group was seeking to dispose of certain properties of the Group and had reclassified the carrying amount for the properties of $4,724,088 (Note 14) as assets classified as held for sale. The directors were actively seeking for potential buyers for its properties through property agents and advertisements and the sale was expected to be completed within 12 months from the date of financial statements.

During the financial year, the Group disposed its property at 130 Mills Street, Welshpool Western Australia, Australia, at a gain of $659,713 (Note 5). The directors are continuing to actively seek for potential buyers for the remaining assets classified as held for sale as at 30 June 2020.

Details of land and buildings owned by the Group which are classified as assets classified as held for sale as at 30 June 2020 are as follows:

Location	Description	Area (sqm)	Title	The Group's interest	Carrying amount
				%	$
Held by ME Australia					
8 Industrial Road, Gatton, Queensland Australia (a)	Office and warehouse building	Land: 6,000 Building: 720	Freehold	55.89	617,999
Held by MEG					
32 Loyang Crescent, Singapore 508992 (b)	Office and warehouse building	Land: 4,222 Building: 3,428	Leasehold (expiring in 2051)	55.89	3,937,993
					4,555,992

(a) Independent professional valuation of the property has been performed by independent valuer with appropriate recognised professional qualification. Based on the market approach, the valuation of the property held by ME Australia is $669,735. The valuation was derived using capitalisation method with consideration of the impact from current COVID-19 pandemic. The current property market is uncertain and the value of the property may be affected by the impact and timing of recovery of the property market impacted by COVID-19 outbreak subsequent to the end of the reporting date. The fair value measurement is categorised in Level 3 of the fair value hierarchy.

(b) Independent professional valuation of the property has been performed by independent valuer with appropriate recognised professional qualification. Based on the direct comparison approach, taking into consideration current market conditions, the valuation of the property held by MEG is $6,400,000. The current property market is uncertain and the value of the property may be affected by the impact and timing of recovery of the property market impacted by COVID-19 outbreak subsequent to the end of the reporting date. The fair value measurement is categorised in Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

28 Trade and other payables and contract liabilities

(a) Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Trade payables	**377,759**	1,464,804	**–**	–
Other payables	**735,156**	694,312	**724,035**	661,632
Amount due to directors	**1,333**	41,525	**1,333**	41,525
Accrued operating expenses	**624,940**	703,981	**112,710**	130,204
Deferred grant income	**64,824**	–	**39,672**	–
Grant payable	**10,775**	–	**–**	–
	1,814,787	2,904,622	**877,750**	833,361

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.

(b) Contract liabilities

The Group receives payments from customers based on a billing schedule as established in contracts. Contract liabilities relate to advance consideration received from customers. Contract liabilities are recognised as revenue as (or when) the Group satisfies the performance obligations under its contracts.

The following table provides information about contract liabilities from contracts with customers.

	Group		
	2020	2019	1.7.2018
	$	$	$
Contract liabilities	**499,766**	620,493	785,236

Significant changes in the contract liabilities balances during the financial year are as follows:

	Group	
	Contract liabilities	
	2020	2019
	$	$
Revenue recognised that was included in the contract liability balance at the beginning of the financial year	**620,493**	785,236
Increases due to advances received, excluding amounts recognised as revenue during the financial year	**499,766**	620,493

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

29 Due to non-controlling interests

	Group	
	2020	2019
	$	$
Due to non-controlling interests	**–**	2,613,502

The amount due to non-controlling interests was non-trade in nature, unsecured, interest-free and repayable on demand based on cash terms.

30 Borrowings

	Group	
	2020	2019
	$	$
Non-current		
Bank loans	**61,238**	–
Current		
Bank loans	**38,204**	–
Total borrowings	**99,442**	–

Bank loans is unsecured and bear interest of 1% (2019: Nil%) per annum.

Based on discounted cash flows using market lending rate for similar borrowings which the management expects would be available to the Group at the end of the reporting period, the fair values of the non-current bank loans at the end of the reporting period approximate their carrying value as there are no significant changes in the interest rates available to the Group at the end of the reporting period. This fair value measurement for disclosure purposes is categorised in Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

30 Borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financial activities:

	Loans from directors and key management personnel $	Bank loans $	Finance lease liabilities $	Lease liabilities $ (Note 24)	Total $
Balance at 1 July 2018	550,000	–	4,635	–	554,635
Changes from financing cash flows:					
- Proceeds	200,000	–	–	–	200,000
- Repayments	(750,000)	–	(4,635)	–	(754,635)
- Interest paid	(31,726)	–	(565)	–	(32,291)
Non-cash changes:					
- Interest expense	31,726	–	565	–	32,291
Balance at 30 June 2019	–	–	–	–	–
Adoption of SFRS(I) 16	–	–	–	1,800,556	1,800,556
Changes from financing cash flows:					
- Proceeds	–	99,442	–	–	99,442
- Repayments	–	–	–	(27,633)	(27,633)
- Interest paid	(16)	–	–	(68,702)	(68,718)
Non-cash changes:					
- Interest expense	16	–	–	68,702	68,718
- Translation adjustment	–	–	–	(37,286)	(37,286)
Balance at 30 June 2020	**–**	**99,442**	**–**	**1,735,637**	**1,835,079**

31 Share capital

	Group and Company 2020 $	Group and Company 2019 $
Issued and fully paid up		
12,632,507,107 ordinary shares with no par value	**148,781,865**	148,781,865

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

32 Reserves

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Currency translation reserve	**(2,574,437)**	(2,207,290)	**–**	–
Fair value reserve	**–**	(98,599)	**–**	(98,599)
Accumulated losses	**(141,409,304)**	(139,044,863)	**(141,639,529)**	(137,299,786)
	(143,983,741)	(141,350,752)	**(141,639,529)**	(137,398,385)

(a) **Currency translation reserve**

Currency translation reserve arises from the translation of the financial statements of subsidiaries whose functional currency are different from that of the Group's presentation currency.

(b) **Accumulated losses**

Movement in accumulated losses of the Company is as follows:

	Company	
	2020	2019
	$	$
Balance at beginning of the financial year	**(137,299,786)**	(121,026,942)
Loss for the financial year	**(4,142,783)**	(16,272,844)
Transfer of fair value reserve upon disposal of financial assets at fair value through other comprehensive income	**(196,960)**	–
Balance at end of the financial year	**(141,639,529)**	(137,299,786)

33 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 at the end of the financial period but not recognised as liabilities in the financial statements are as follows:

	Group
	2019
	$
Not later than one financial year	134,068
Later than one financial year but not later than five financial years	387,314
Later than five financial years	2,633,148
	3,154,530

As disclosed in Note 2(a), the Group has adopted SFRS(I) 16 on 1 July 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the statements of financial position as at 1 July 2019, except for short term and low value assets leases.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

33 Commitments (cont'd)

(b) Commitments

In 2019, the Group has suspended the construction-in-progress of the microalgae oil cultivation facility. The remaining commitment as at 30 June 2019 not recognised as liabilities in the financial statements was $4,341,139.

34 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 former 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 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.

35 Related party transactions

(a) In addition to information disclosed elsewhere in the financial statements, the following transactions took place between the Group and other related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

	Group	
	2020	2019
	$	$
With joint venture entities		
Purchase	–	113,601
With other related parties		
Professional fees paid/payable to a firm in which a director has an interest	–	12,000
Professional fee paid to former director	**30,000**	–
Rental of office space and office administration fee paid to companies which a director has joint control	**43,675**	–
Loan from a key management personnel	–	200,000
Interest expenses on loan from a director and key management personnel	–	31,726

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

35 Related party transactions (cont'd)

(b) Key management personnel compensation

Total key management personnel compensation is analysed as follows:

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Directors' fees	**113,796**	206,275	**27,040**	146,275
Wages, salaries and bonuses	**915,654**	1,091,818	**469,333**	594,736
Defined contribution plans	**21,929**	40,433	**15,936**	31,867
	1,051,379	1,338,526	**512,309**	772,878

As at 30 June 2020 and 2019, 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.

36 Share Options and Share Awards

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.

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 Michael Grant Pixley (Chairman), Farooq Ahmad Mann and Winston Terence Milner at the date of this financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

36 Share Options and Share Awards (cont'd)

Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan (cont'd)

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 2020 and 2019. As at 30 June 2020 and 30 June 2019, there were no outstanding share options. There were also no discounted share options granted since the commencement of the scheme.

Share Awards

During the financial year ended 30 June 2020, there were no share awards granted under the Magnus Energy PSP.

37 Segment information

The Group is organised into business units based on its business segments purposes. The reportable segments are oilfield equipment supply and services, waste water treatment, renewable energy and investment holding which are described below. Management monitors the operating results of its business units separately for making decisions about allocation of resources and assessment of performances of each segment.

(a) Business segments

The Group is organised on a worldwide basis into the following main operating segments, namely:

- Oilfield equipment supply and services
- 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 2020

37 Segment information (cont'd)

The segment information provided to management for the reportable segments are as follows:

	Oilfield equipment supply and services $	Waste water treatment $	Renewable energy $	Investment holding $	Eliminations $	Consolidation total $
2020						
Segment revenue						
Sales to external customers	15,176,527	–	–	–	–	**15,176,527**
Segment (loss)/profit	(564,018)	(14,758)	234,801	(3,936,101)	1,761,747	**(2,518,329)**
Depreciation of property, plant and equipment	30,019	–	1,400	21,341	–	**52,760**
Depreciation of right-of-use asset	55,687	–	–	–	–	**55,687**
Property, plant and equipment written off	20,565	–	–	–	–	**20,565**
Loss on de-registration of subsidiaries	174,485	–	–	–	–	**174,485**
Inventories written off	57,927	–	–	–	–	**57,927**
Loss on disposal of property, plant and equipment	(17,998)	–	–	60,629	–	**42,631**
Unallocated finance income						**(27,810)**
Unallocated finance cost						**88,870**
Unallocated income tax						**323,992**
Assets and liabilities:						
Total segment assets	10,352,971	981	76,075	8,174,980	(7,216,388)	**11,388,619**
Unallocated deferred tax assets						**7,710**
						11,396,329
Segment assets include:						
Additions to non-current assets	–	–	–	2,299	–	**2,299**
Total segment liabilities	(3,132,708)	(245,796)	(12,667,672)	(10,957,644)	22,853,768	**(4,150,052)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

37 Segment information (cont'd)

The segment information provided to management for the reportable segments are as follows (cont'd):

	Oilfield equipment supply and services $	Waste water treatment $	Renewable energy $	Investment holding $	Eliminations $	Consolidation total $
2019						
Segment revenue						
Sales to external customers	17,573,277	–	–	–	–	17,573,277
Intersegment sales	6,774	–	–	–	(6,774)	–
Total revenue	17,580,051	–	–	–	(6,774)	17,573,277
Segment (loss)/profit	(394,835)	25,865	(13,263,210)	(18,506,108)	14,677,736	(17,460,552)
Depreciation of property, plant and equipment	187,016	–	1,289	50,872	–	239,177
Impairment losses on trade receivables	53,632	–	–	–	–	53,632
Impairment losses on non - trade receivables	–	–	–	2,048,230	–	2,048,230
Impairment on property, plant and equipment	–	–	12,974,966	–	–	12,974,966
Loss on disposal of other financial assets	13,081	–	–	35,928	–	49,009
Inventories written off	186,423	–	–	–	–	186,423
Other financial assets written off	21,229	–	–	–	–	21,229
Unallocated finance income						(68,829)
Unallocated finance costs						63,952
Unallocated income tax						162,617
Assets and liabilities:						
Total segment assets	15,744,066	981	96,802	12,622,334	(11,915,685)	16,548,498
Unallocated deferred tax assets						7,631
						16,556,129
Segment assets include:						
Additions to non-current assets	127,837	–	92,866	–	–	220,703
Total segment liabilities	(7,390,435)	(231,038)	(12,532,833)	(11,144,423)	25,010,559	(6,288,170)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

37 Segment information (cont'd)

Segment results

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Sales between operating segments are on terms agreed by the group companies concerned.

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than deferred tax assets which is classified as unallocated asset.

Segment liabilities

The amounts provided to management with respect total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Sales to external customers		Non-current assets	
	2020	2019	**2020**	2019
	$	$	**$**	$
Singapore	**1,380,025**	3,728,907	**10,169**	212,319
Australia	**111,660**	587,757	**–**	22,881
Malaysia	**218,488**	20,783	**54,003**	69,928
United States of America	**4,048,300**	4,597,117	**533,639**	543,497
United Arab Emirates	**3,052,009**	3,677,519	**–**	–
Thailand	**202,123**	1,004,535	**–**	–
Saudi Arabia	**1,873,055**	1,242,630	**–**	–
Japan	**1,548,844**	–	**–**	–
Others	**2,742,023**	2,714,029	**–**	–
	15,176,527	17,573,277	**597,811**	848,625

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.

Information about major customers

Included in revenues arising from oilfield equipment supply and services are revenues of approximately $2,252,728 (2019: $2,433,112) which arose from sales to the Group's largest customer.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

38 Financial risk instruments

a) *Categories of financial instruments*

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

	Group		Company	
	2020	2019	**2020**	2019
	$	$	**$**	$
Financial assets				
Financial assets at amortised cost	**3,898,620**	9,052,382	**1,037,663**	2,457,648
Financial assets at fair value through other comprehensive income	**40**	476,707	**40**	476,707
	3,898,660	9,529,089	**1,037,703**	2,934,355
Financial liabilities				
At amortised cost	**3,574,267**	5,632,084	**972,778**	1,218,809

b) *Financial risk management*

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include foreign currency risk, interest rate risk, liquidity risk and credit risk. The Group's and the Company's overall financial risk management strategy seeks to minimise adverse effects from these financial risks on the Group's and the Company's financial performance.

i) *Foreign currency risk*

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of entities in the Group. The foreign currencies in which the Group's currency risk arises are mainly United States Dollars (USD), Australian Dollars (AUD), Singapore Dollars (SGD) and Sterling Pound (GBP).

At the end of the reporting period, the Group and the Company have the following financial assets and financial liabilities denominated in foreign currencies based on information provided to key management:

	USD	**AUD**	**GBP**	**SGD**
	$	**$**	**$**	**$**
Group				
2020				
Financial assets				
Other financial assets	–	–	–	40
Trade and other receivables	869,516	419	–	47,532
Cash and bank balances	1,705,560	61,146	8,815	1,183,622
	2,575,076	**61,565**	**8,815**	**1,231,194**

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

38 Financial risk instruments (cont'd)

b) *Financial risk management (cont'd)*

i) *Foreign currency risk (cont'd)*

	USD $	AUD $	GBP $	SGD $
Group				
2020				
Financial liabilities				
Trade and other payables	601,805	5,854	–	1,073,873
Borrowings	99,442	–	–	–
Lease liabilities	–	–	–	1,735,637
	701,247	**5,854**	**–**	**2,809,510**
Currency exposure on net financial assets/(liabilities)	1,873,829	55,711	8,815	(1,578,316)
(Assets)/liabilities denominated in entities' functional currencies	(1,756,990)	(25,204)	–	(9,945)
Net currency exposure	**116,839**	**30,507**	**8,815**	**(1,588,261)**
2019				
Financial assets				
Other financial assets	–	476,667	–	40
Trade and other receivables	1,633,005	64,367	–	309,115
Cash and bank balances	2,185,127	330,476	8,962	819,760
Fixed deposits	140,405	2,076,142	–	1,248,910
	3,958,537	2,947,652	8,962	2,377,825
Financial liabilities				
Trade and other payables	1,664,406	48,642	–	1,132,575
Related parties balances	–	–	–	113,960
Due to non-controlling interests	–	–	–	2,613,502
	1,664,406	48,642	–	3,860,037
Currency exposure on net financial assets/(liabilities)	2,294,131	2,899,010	8,962	(1,482,212)
(Assets)/liabilities denominated in entities' functional currencies	(2,200,102)	(3,443)	–	523,897
Net currency exposure	94,029	2,895,567	8,962	(958,315)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

38 Financial risk instruments (cont'd)

b) *Financial risk management (cont'd)*

i) *Foreign currency risk (cont'd)*

	USD $	AUD $
Company		
2020		
Financial assets		
Cash and bank balances	143,340	–
Net financial assets denominated in foreign currencies	**143,340**	**–**
2019		
Financial assets		
Other financial assets	–	476,667
Cash and bank balances	10,832	–
	10,832	476,667
Financial liabilities		
Related parties balances	(385,448)	–
Net financial (liabilities)/assets denominated in foreign currencies	(374,616)	476,667

The following table demonstrates the sensitivity to a reasonably possible change in the USD, AUD, SGD and GBP exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's loss after tax:

			Increase/(decrease) in loss after tax 2020 $	2019 $
Group				
USD/SGD	-	strengthened 5% (2019: 5%)	**(5,842)**	(4,701)
	-	weakened 5% (2019: 5%)	**5,842**	4,701
AUD/SGD	-	strengthened 5% (2019: 5%)	**(1,525)**	(144,778)
	-	weakened 5% (2019: 5%)	**1,525**	144,778
GBP/SGD	-	strengthened 5% (2019: 5%)	**(441)**	(448)
	-	weakened 5% (2019: 5%)	**441**	448
SGD/SGD	-	strengthened 5% (2019: 5%)	**79,413**	47,916
	-	weakened 5% (2019: 5%)	**(79,413)**	(47,916)
Company				
USD/SGD	-	strengthened 5% (2019: 5%)	**(7,167)**	18,731
	-	weakened 5% (2019: 5%)	**7,167**	(18,731)
AUD/SGD	-	strengthened 5% (2019: 5%)	**–**	(23,833)
	-	weakened 5% (2019: 5%)	**–**	23,833

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

38 Financial risk instruments (cont'd)

b) *Financial risk management (cont'd)*

ii) *Interest rate risk*

The Group's exposure to the risk of changes in interest rates arises mainly from their bank borrowings. The Group's policy is to obtain most favourable interest rate available in the market. Variations in short-term interest rate are not expected to have a material impact on the results of the Group. Hence, it does not utilise derivative to mitigate its interest rate risk.

Sensitivity analysis of the Group's interest rate risk exposures is not presented as the impact of an increase/decrease of 50 basis points in interest rates is not expected to be significant.

iii) *Credit risk*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history and obtaining sufficient security where appropriate to mitigate credit risk. For other financial assets, the Group adopt the policy of dealing only with high credit quality counterparties.

The Group does not have significant concentration of credit risk except that the Group's trade receivables comprise 3 debtors (2019: 5 debtors) that represented 69% (2019: 68%) of the trade receivables.

As the Group does not hold any collateral, the maximum exposure to credit risk is the carrying amount of each class of financial instruments presented on the statements of financial position.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments are more than 30 days past due or where there has been a significant increase in credit risk since initial recognition	Lifetime ECL - not credit-impaired
Contractual payments are more than 365 days past due or there is evidence of credit impairment	Lifetime ECL - credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings	Write-off

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

38 Financial risk instruments (cont'd)

b) *Financial risk management (cont'd)*

iii) *Credit risk (cont'd)*

Significant increase in credit risk (cont'd)

In particular, when assessing whether credit risk has increased significantly since initial recognition, the Group considers existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations and actual or expected significant deterioration in the operating results/ key financial performance ratios of the debtor.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk as at reporting date. A financial instrument is determined to have low credit risk if it has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group has determined the default events on a financial asset to be when there is evidence that the borrower is experiencing liquidity issues or when there is a breach of contract, such as a default of payment.

The Group considers the above as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 365 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

38 Financial risk instruments (cont'd)

b) *Financial risk management (cont'd)*

iii) *Credit risk (cont'd)*

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Movements in credit loss allowance are as follows:

	Trade receivables $	Other financial asset at amortised cost $
Group		
Balance at 1 July 2018, under SFRS(I) 9	90,244	8,660,591
Loss allowance measured/(reversed):		
Lifetime ECL		
- simplified approach	53,632	–
- credit impaired	–	2,048,230
	53,632	2,048,230
Currency translation differences	(1,759)	–
Balance at 30 June 2019	142,117	10,708,821
Loss allowance measured/(reversed):		
Lifetime ECL		
- simplified approach	–	–
- write-off	(7,897)	–
	(7,897)	–
Currency translation differences	2,533	–
Balance at 30 June 2020	**136,753**	**10,708,821**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

38 Financial risk instruments (cont'd)

b) *Financial risk management (cont'd)*

iii) *Credit risk (cont'd)*

Movements in credit loss allowance are as follows (cont'd):

	Other financial assets at amortised cost $
Company	
Balance at 1 July 2018, under SFRS(I) 9	10,845,162
Loss allowance measured/(reversed):	
Lifetime ECL	
- credit-impaired	13,098,360
Write-back of allowance	(11,558)
	13,086,802
Balance at 30 June 2019	23,931,964
Loss allowance measured:	
Lifetime ECL	
- credit-impaired	215,002
Balance at 30 June 2020	**24,146,966**

Trade receivables

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions affecting the ability of the customers to settle the receivables.

In view of the current COVID-19 pandemic, the Group has considered the impact of the pandemic on the performance and liquidity of its trade receivables and in particular, whether there are significant decline in the repayment ability of its debtors. There has been no change in the estimation techniques or significant assumptions made during the current financial year, except for reassessments made of the current COVID-19 effects on the historical default rates of each past due category of its trade receivables.

The Group has recognised a loss allowance of 100% against all trade receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable. A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

38 Financial risk instruments (cont'd)

b) *Financial risk management (cont'd)*

iii) *Credit risk (cont'd)*

Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, related parties balances, cash and bank balances and fixed deposits.

The table below details the credit quality of the Group's and the Company's financial assets:

2020 Group	**12-month or lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
		$	$	**$**
Trade receivables	Lifetime ECL	990,182	(136,753)	**853,429**
Loan receivable from third party	Lifetime ECL	7,253,091	(7,253,091)	–
Amount receivable for disposal of quoted equity shares	Lifetime ECL	2,048,230	(2,048,230)	–
Amount recoverable from Joint Investment	Lifetime ECL	1,407,500	(1,407,500)	–
Other receivables	12-month ECL	81,669	–	**81,669**
Cash and bank balances	Not applicable (Exposure limited)	2,963,522	–	**2,963,522**
Company				
Amount recoverable from Joint Investment	Lifetime ECL	1,407,500	(1,407,500)	–
Other receivables	12-month ECL	32,862	–	**32,862**
Amounts due from subsidiaries	Lifetime ECL	22,739,466	(22,739,466)	–
Cash and bank balances	Not applicable (Exposure limited)	1,004,801	–	**1,004,801**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

38 Financial risk instruments (cont'd)

b) *Financial risk management (cont'd)*

iii) *Credit risk (cont'd)*

The table below details the credit quality of the Group's and the Company's financial assets (cont'd):

2019 **Group**	**12-month or lifetime ECL**	**Gross carrying amount**	**Loss allowance**	**Net carrying amount**
		$	$	**$**
Trade receivables	Lifetime ECL	1,928,669	(142,117)	1,786,552
Loan receivable from third party	Lifetime ECL	7,253,091	(7,253,091)	–
Amount receivable for disposal of quoted equity shares	Lifetime ECL	2,048,230	(2,048,230)	–
Amount recoverable from Joint Investment	Lifetime ECL	1,407,500	(1,407,500)	–
Amount due from joint venture entities	12-month ECL	209,398	–	209,398
Other receivables	12-month ECL	237,555	–	237,555
Cash and bank balances	Not applicable (Exposure limited)	3,353,420	–	3,353,420
Fixed deposits	Not applicable (Exposure limited)	3,465,457	–	3,465,457
Company				
Amount recoverable from Joint Investment	Lifetime ECL	1,407,500	(1,407,500)	–
Other receivables	12-month ECL	199,520	–	199,520
Amounts due from subsidiaries	12-month ECL	2,069,265	–	2,069,265
Amounts due from subsidiaries	Lifetime ECL	22,543,839	(22,524,464)	19,375
Cash and bank balances	Not applicable (Exposure limited)	169,488	–	169,488

The credit loss exposure for cash and bank balances and fixed deposits are immaterial as at 30 June 2020 and 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 30 June 2020

38 **Financial risk instruments (cont'd)**

b) ***Financial risk management (cont'd)***

iii) *Credit risk (cont'd)*

Other receivables and amounts due from subsidiaries

In the current financial year, other receivables of the Group and the Company where impairment loss allowance are measured using 12 months ECL are determined to have insignificant ECL. The Group and the Company assessed the latest performance and financial position of the respective counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Group and the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

For amounts due from subsidiaries of the Company where impairment loss allowance are measured using lifetime ECL, the Company recognised an impairment loss allowance of $215,002 (2019: $13,086,802) as the amount was determined to be credit impaired.

iv) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group and the Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments.

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less $	1 to 5 year $	Total $
Group			
2020			
Trade and other payables	1,739,188	–	1,739,188
Borrowings	39,165	61,545	100,710
Lease liabilities	1,735,637	–	1,735,637
	3,513,990	**61,545**	**3,575,535**
2019			
Trade and other payables	2,904,622	–	2,904,622
Due to non-controlling interests	2,613,502	–	2,613,502
Related parties balances	113,960	–	113,960
	5,632,084	–	5,632,084

NOTES TO
THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

38 Financial risk instruments (cont'd)

b) *Financial risk management (cont'd)*

iv) *Liquidity risk (cont'd)*

	1 year or less $
Company	
2020	
Trade and other payables	838,078
Related parties balances	134,700
	972,778
2019	
Trade and other payables	833,361
Related parties balances	385,448
	1,218,809

v) *Price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). In previous financial year, the Group was exposed to equity price risk arising from its investment in quoted equity instruments. Certain of these instruments were quoted equity securities in Australia and were classified as financial assets at fair value through other comprehensive income.

Sensitivity analysis for equity price risk

In previous financial year, if the prices of the Group's equity securities change by 5% higher/lower with all other variables held constant, the Group's fair value reserve in equity would have been $23,835 higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified at FVOCI.

39 Fair values of assets and liabilities

(a) *Fair value hierarchy*

The table below analyses the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

(i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (i.e. derived from prices); and

(iii) Level 3 - inputs for the asset or liability that are not based on observable market data(unobservable inputs).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

39 Fair values of assets and liabilities (cont'd)

(b) *Fair value measurements of assets and liabilities that are measured at fair value*

The following table presents the level of fair value hierarchy for each class of assets and liabilities measured at fair value on the statements of financial position at the end of the reporting periods:

	Level 1 $	Level 2 $	Level 3 $	Total $
Recurring fair value measurements				
Group and Company				
2020				
Financial assets				
Financial assets at FVOCI				
- Quoted equity investments	**40**	**–**	**–**	**40**
2019				
Financial assets				
Financial assets at FVOCI				
- Quoted equity investments	476,707	–	–	476,707

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

The current financial asset and financial liabilities whose carrying amount measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

(d) *Determination of fair values*

Fair values have been determined for measurement and/or disclosure purposes based on the following methods:

Equity securities

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

Non-current bank loans

The basis of determining fair value for disclosure at the end of the reporting period is disclosed in Note 30.

40 Capital management

The Group's objective when managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholders' value. In order to maintain or achieve an optimal capital structure, the Group may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

The capital structure of the Group mainly consists of equity and borrowings and the Group's overall strategy remains unchanged from 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2020

41 Contingent liabilities

Letter of demand

The Company has received a letter of demand dated 29 February 2020 from solicitors acting on behalf of Mr. Thong Soon Seng ("Mr. Thong") notifying the Company of his claim for repayment of loans which Mr. Luke Ho Khee Yong ("Mr. Luke Ho"), the former chief executive officer, allegedly borrowed from Mr. Thong in 2016 purportedly on behalf of the Company.

The Company's legal advisors had responded to the letter of demand on 5 March 2020, and had received a reply from Mr. Thong's solicitors on 11 March 2020 with the photocopies of the alleged cheques and a clarification that there was no written loan agreement between Mr. Thong and Mr. Luke Ho.

On the advice of the Company's legal advisors, the Company has, on 20 March 2020, lodged a report with the Singapore Police Force against Mr. Luke Ho.

There was no legal proceeding commenced by Mr. Thong in respect of the alleged outstanding loan and management is of the view that no material losses will arise in respect of the letter of demand at the date of these financial statements and accordingly, no provision for any liability has been made in these financial statements.

42 Comparative figures

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2019 were audited by another independent auditor whose report dated 15 October 2019 expressed an unmodified opinion on those financial statements

43 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2020 were authorised for issue in accordance with a resolution of the directors dated 30 September 2020.

SHAREHOLDERS' INFORMATION
As at 21 September 2020

STATISTICS OF SHAREHOLDING AS AT 21 SEPTEMBER 2020

Class of Shares	:	Ordinary share
No. of Shares (excluding treasury shares and subsidiary holdings)	:	12,632,507,107
Voting rights	:	One vote per share
No. of treasury shares and percentage	:	Nil
No. of subsidiary holdings held and percentage	:	Nil

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 - 99	857	8.32	49,122	0.00
100 - 1,000	4,360	42.30	2,302,151	0.02
1,001 – 10,000	2,989	29.00	10,347,257	0.08
10,001 – 1,000,000	1,426	13.84	427,731,251	3.39
1,000,001 and above	674	6.54	12,192,077,326	96.51
TOTAL	**10,306**	**100.00**	**12,632,507,107**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	LUKE HO KHEE YONG (LUKE HE QIRONG)	970,000,000	7.68
2	ONG CHIN YEW	920,092,400	7.28
3	MAYBANK KIM ENG SECURITIES PTE. LTD.	663,701,056	5.25
4	LIM HENG HUNG	443,071,700	3.51
5	DBS NOMINEES (PRIVATE) LIMITED	330,745,204	2.62
6	YEO CHEE SENG (YANG ZHICHENG)	300,000,000	2.37
7	PHILLIP SECURITIES PTE LTD	283,934,039	2.25
8	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	281,759,072	2.23
9	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	250,225,183	1.98
10	BLUE WATER ENGINEERING PTE LTD	250,000,000	1.98
11	VALUE CAPITAL ASSET MANAGEMENT PRIVATE LIMITED	250,000,000	1.98
12	SNG LEE LENG	245,000,000	1.94
13	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	214,083,706	1.69
14	CHUNG SEE MOOI	200,000,000	1.58
15	HS E&T PTE LTD	200,000,000	1.58
16	IDOLA CAKRAWALA INTERNATIONAL PTE. LTD.	200,000,000	1.58
17	LIOW SEE BEE	200,000,000	1.58
18	SEET CHOR HOON	169,063,300	1.34
19	LEE CHIN CHEH	150,000,000	1.19
20	CHUA AIK SHENG (CAI YISHENG)	130,000,000	1.03
	TOTAL	**6,651,675,660**	**52.64**

SHAREHOLDERS' INFORMATION

As at 21 September 2020

SUBSTANTIAL SHAREHOLDERS AS AT 21 SEPTEMBER 2020

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Luke Ho Khee Yong (Luke He Qirong)	970,000,000	7.68	–	–
Ong Chin Yew	920,092,400	7.28	–	–
Charles Madhavan[1]	–	–	695,000,000	5.50

Note:

1 Mr Charles Madhavan is the 50% shareholder of Blue Water Engineering Pte Ltd and the 50% shareholder of Idola Cakrawala International Pte. Ltd. through Blue Water Engineering Pte Ltd. Accordingly, he is deemed interested in 250,000,000 ordinary shares and 200,000,000 ordinary shares in the Company held by each of them respectively. Mr Charles Madhavan is also deemed interested in the 245,000,000 ordinary shares of the Company held by his spouse, Ms Sng Lee Leng.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on the information available to the Company as at 21 September 2020, approximately 79.54% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST which requires that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) in a class that is listed, is at all times held by the public.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Michael Pixley, Mr Farooq Ahmad Mann, Mr. Winston Milner and Mr. Charles Madhavan, all of whom are seeking re-election as Directors at the forthcoming Annual General Meeting, is to be read in conjunction with their respective profiles on pages 6 and 7:

	Michael Pixley	Farooq Ahmad Mann	Winston Milner	Charles Madhavan
Date of appointment	6 August 2020	15 June 2020	6 August 2020	9 January 2020
Date of last re-appointment (if applicable)	N.A.	N.A.	N.A.	N.A.
Age	64	49	52	62
Country of principal residence	Australia	Singapore	Singapore	Singapore
The board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered, amongst others, Mr. Michael Pixley's track record, age, working experience, capabilities and other relevant factors and is of the view that he has the requisite experiences and capabilities to assume the duties and responsibilities as the Independent Non-Executive Chairman of the Company. Accordingly, the Board has approved Mr. Pixley's appointment as an Independent Non-Executive Director. The Board considers Mr. Pixley to be independent for the purpose of Rule 704(7) of the Catalist Rules.	The Board had considered, amongst others, Mr. Farooq Ahmad Mann's track record, age, working experience, capabilities and other relevant factors and is of the view that he has the requisite experiences and capabilities to assume the duties and responsibilities as the Independent Non-Executive Director of the Company. Accordingly, the Board has approved Mr. Farooq's appointment as Independent Non-Executive Director. The Board considers Mr. Farooq to be independent for the purpose of Rule 704(7) of the Catalist Rules.	The Board had considered, amongst others, Mr. Winston Milner's track record, age, working experience, capabilities and other relevant factors and is of the view that he has the requisite experiences and capabilities to assume the duties and responsibilities as the Independent Non-Executive Director of the Company. Accordingly, the Board has approved Mr. Milner's appointment as Independent Non-Executive Director. The Board considers Mr. Milner to be independent for the purpose of Rule 704(7) of the Catalist Rules.	The Board had considered Mr. Charles Madhavan's track record, age, working experience, capabilities and other relevant factors and is of the view that he has the requisite experiences and capabilities to assume the duties and responsibilities as the Executive Director and CEO. Accordingly, the Board has approved Mr. Charles Madhavan's appointment as Executive Director and CEO.
Whether appointment is executive, and if so, the area of responsibility	No	No	No	Yes. As Executive Director and CEO of the Group, he is responsible for overseeing the overall strategic plans of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Chairman, Chairman of the RC, and member of the AC and NC	Independent Non-Executive Director, Chairman of AC, and member of the RC and NC	Independent Non-Executive Director, Chairman of NC and member of the AC and RC	Executive Director and Chief Executive Officer

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Michael Pixley	Farooq Ahmad Mann	Winston Milner	Charles Madhavan
Professional qualifications	Bachelor's Degree in Business Management from Curtin University Perth, Australia	MBA from University of Birmingham, UK Fellow Chartered Certified Accountant, the Association of Chartered Certified Accountants, UK (FCCA)	Masters in Business Administration (MBA) from University Of Birmingham	GCE "O" Levels
Working Experience and occupation(s) during the past 10 years	**2015 to Present** CSME Australia - Executive Director **2011 to Present** Transocean Group Ltd. - Senior Advisor, Corporate Finance, Perth **2003 to 2011** Hollista Colltech Ltd - Director	**2012 to Present** Mann & Associates PAC - Founder **2011 to Present** MS Global Corporate Services Pte. Ltd. – Founder	**2017 to Present** NBOGroup - Executive Director **2014 to 2017** Bell Helicopter - Director, Business Development **2011 to 2013** Rolls-Royce - Regional VP **2008 to 2010** Pratt & Whitney - GM of Sales & Marketing Management	**2020 to Present** Magnus Energy Group Ltd. – Executive Director & Chief Executive Officer **2018 to 2018** Magnus Energy Group Ltd. - Managing Director **2017 to Present** Blue Water Asia Pacfic Group Ltd (BVI) - Director/Shareholder (resigned on 4 Dec 2012, re-appointed 6 Mar 2017) **2016 to Present** Idola Cakrawala International Pte Ltd - Director/Shareholder **2016 to Present** Bumi Oriental Energy (Singapore) Pte Ltd (fka White & Brown Holdings Pte Ltd) – Director/ Shareholder **2016 to 2019** Palau Energy Pte Ltd (Struck off on 8 July 2019) – Director (resigned 16 May 2014, reappointed 18 April 2016) **2015 to Present** Ekamaro Sakti (s) Pte Ltd (fka MOS Subsea Pte Ltd) - Director **2000 to Present** Blue Water Engineering Pte Ltd - Director/ Shareholder

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Michael Pixley	Farooq Ahmad Mann	Winston Milner	Charles Madhavan
				2013 to 2017 Java Petral Energy Pte Ltd (Struck off on 6 February 2017) - Director/Shareholder **2015 to 2017** International Investments Technology Pte Ltd - Director/ Shareholder **2015 to 2015** GSS Energy Limited, an SGX listed company - Executive Director **2015 to 2015** GSS Energy Sumatra Limited - Director **2002 to 2015** Cepu Sakti Energy Holdings Ltd (BVI) - Director/Shareholder **2002 to 2015** Cepu Sakti energy Pte Ltd (fka Perpetual Drilling Pte Ltd) - Director **2015 to 2015** Nusantara Resources Pte Ltd - Director **2014 to 2014** Select Energy Pte Ltd – Director
Shareholding interest in its listed issuer and its subsidiaries	Nil	Nil	Nil	Deemed interest: 5.50% Sng Lee Leng (Spouse): 245,000,000 shares (1.94%) Blue Water Engineering Pte Ltd (director and shareholder): 250,000,000 shares (1.98%) Idola Cakrawala International Pte Ltd (director and shareholder): 200,000,000 shares (1.58%)

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Michael Pixley	Farooq Ahmad Mann	Winston Milner	Charles Madhavan
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No	No
Conflict of interest (including any competing business)	No	No	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer (Yes or No)	Yes	Yes	Yes	Yes
Other Principal Commitments* Including Directorships – past (last 5 years) and present * The term "principal commitments" includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.	**Past (for the last 5 years)** EVE Investments Ltd Credit Intelligence Ltd **Present** Credit Intelligence Ltd Eneco Refresh Ltd Story-I Ltd	**Past (for the last 5 years)** ANR Resources Pte Ltd Mann Accountancy Services Pte Ltd MS Global Tax Services Pte Ltd Mount Whitney Property Pte Ltd Clover Investment Advisors Pte Ltd Flying Colours Corp Asia Pte Ltd **Present** Mann & Associates PAC MS Global Corporate Services Pte Ltd Internet Society Limited	**Past (for the last 5 years)** Nil **Present** NBOGroup	**Past (for the last 5 years)** Blue Water Asia Pacific Group Ltd (BVI) Palau Energy Pte Ltd Magnus Energy Group Ltd. Java Petral Energy Pte Ltd Nusantara Resources Pte Ltd Cepu Sakti energy Pte Ltd GSS Energy Limited International Investments Technology Pte Ltd **Present** Idola Cakrawala International Pte Ltd Bumi Oriental Energy (Singapore) Pte Ltd (fka White & Brown Holdings Pte Ltd) Ekamaro Sakti (s) Pte Ltd (fka MOS Subsea Pte Ltd) Blue Water Engineering Pte Ltd

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Michael Pixley	Farooq Ahmad Mann	Winston Milner	Charles Madhavan
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.				
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Michael Pixley	Farooq Ahmad Mann	Winston Milner	Charles Madhavan
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No	No
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Michael Pixley	Farooq Ahmad Mann	Winston Milner	Charles Madhavan
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—	No	No	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No	No	No

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	Michael Pixley	Farooq Ahmad Mann	Winston Milner	Charles Madhavan
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No	No
Disclosure applicable to the appointment of Director only				
Any prior experience as a director of an issuer listed on the Exchange	No	No	No	Yes
If yes, please provide details of prior experience.	N.A.	N.A.	N.A.	Managing Director, Magnus Energy Group Ltd. Executive Director, GSS Energy Limited
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Mr. Michael Pixley will undergo training on the roles and responsibilities of a director of a listed issuer to meet the mandatory training requirements under Rule 406(3)(a) of the Catalist Rules within the one (1) year timeframe as prescribed by the SGX-ST.	Mr. Farooq Mann has attended training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.	Mr. Winston Milner will undergo training on the roles and responsibilities of a director of a listed issuer to meet the mandatory training requirements under Rule 406(3)(a) of the Catalist Rules within the one (1) year timeframe as prescribed by the SGX-ST. As at the date of the Annual Report, Mr. Milner has attended six (6) courses under the Listed Entity Director Programme.	Mr. Charles Madhavan has attended training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.
Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)	N.A.	N.A.	N.A.	N.A.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Magnus Energy Group Ltd. ("**Company**") will be held by way of electronic means on Friday, 30 October 2020 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 30 June 2020 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following directors of the Company retiring pursuant to Regulation 83 of the Constitution of the Company:

   Mr. Charles Madhavan **(Resolution 2)**
   Mr. Farooq Ahmad Mann **(Resolution 3)**
   Mr. Michael Grant Pixley **(Resolution 4)**
   Mr. Winston Milner **(Resolution 5)**

   [See Explanatory Notes (i)]

3. To approve the payment of the Independent Non-Executive Directors' fees of S$130,000 for the financial year ending 30 June 2021, to be paid monthly in arrears. **(Resolution 6)**

4. To re-appoint Baker Tilly TFW LLP, Certified Public Accountants, as the auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

5. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("Act") and Rule 806 of Listing Rules Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited ("SGX-ST") ("Catalist Rules")**

   "THAT pursuant to Section 161 of the Act and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to:-

   I. (i) allot and issue shares in the capital of the Company (whether by way of rights, bonus or otherwise) ("**Shares**"); and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that may or would require Shares to be issued, including but not limited to, the creation and issue of (as well as adjustments to) options, warrants, debentures, convertible securities or other instruments convertible into Shares; and/or

   (iii) notwithstanding that such authority conferred by this Resolution may have ceased to be in force at the time the Instruments are to be issued, issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or other capitalisation issues, provided that the adjustments do not give the holder a benefit that a shareholder does not receive,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

   II. (notwithstanding that the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided always that: -

(a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments, made or granted pursuant to this Resolution), shall not exceed 100% of the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below), of which the aggregate number of Shares to be issued other than on a pro-rata basis to the shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not exceed 50% of the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (b) below) or such other limit as may be prescribed by the Catalist Rules as at the date of this Resolution is passed;

(b) (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 (a) above (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution), the percentage of the total number of issued Shares shall be based on the total number of issued Shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:-

(i) new Shares arising from the conversion or exercise of any convertible securities outstanding at the time this authority is given;

(ii) (where applicable) new Shares arising from the exercise of share options or vesting of share awards, provided the share options or share awards (as the case may be) were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

adjustments in accordance with (i) and (ii) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(c) 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 the SGX-ST), and all applicable legal requirements under the Act and the Constitution for the time being of the Company; and

(d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue to be in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier."

[See Explanatory Notes (ii)] **(Resolution 8)**

7. **Authority to issue Shares under Magnus Energy Employee Share Option Plan**

That pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to offer and grant options under Magnus Energy Employee Share Option Plan ("**Magnus Energy ESOP**") and to allot and issue from time to time such number of Shares 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 Shares to be allotted and issued pursuant to the Magnus Energy ESOP and the Magnus Energy PSP (as defined below) collectively shall not exceed 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Notes (iii)] **(Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING

8. **Authority to issue Shares under the Magnus Energy Performance Share Plan**

That pursuant to Section 161 of the Act, the Directors of the Company be authorised and empowered to offer and grant awards pursuant to the Magnus Energy Performance Share Plan ("**Magnus Energy PSP**") and to allot and issue 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 always 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 and subsidiary holdings) 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 AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Notes (iv)] **(Resolution 10)**

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 15 October 2020

Explanatory Notes:

(i) Mr. Charles Madhavan will, upon re-election as a Director of the Company, remain as an Executive Director and CEO of the Company.

Mr. Farooq Ahmad Mann will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director of the Company, Chairman of the Audit Committee ("**AC**") and a member of the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"). The Board of Directors considers him to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr. Michael Grant Pixley will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Chairman of the Company, Chairman of the RC and a member of the AC and NC. The Board of Directors considers him to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr. Winston Milner will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director of the Company, Chairman of the NC and a member of the AC and RC. The Board of Directors considers him to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Further information on the Directors can be found under the "Board of Directors" and "Corporate Governance Report" sections of the Annual Report.

(ii) Resolution 8 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM 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 the earlier, to allot and issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a pro rata basis to shareholders of the Company for such purposes as they consider would be in the interest of the Company.

For determining the aggregate number of Shares that may be issued, the percentage of issued Shares will be calculated based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed after adjusting for new Shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of Shares.

(iii) Resolution 9 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM 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 the earlier, to allot and issue Shares pursuant to the exercise of options granted or to be granted under the Magnus Energy ESOP and such other share-based incentive scheme or share plan up to a number not exceeding in aggregate, 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.

NOTICE OF ANNUAL GENERAL MEETING

(iv) Resolution 10 above, if passed, will empower the Directors of the Company, from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM 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 the earlier, to allot and issue Shares pursuant to the vesting of awards granted or to be granted under the Magnus Energy PSP and such other share-based incentive scheme or share plan, up to a number not exceeding in aggregate, 15% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) from time to time.

Note:

1. A member of the Company who is entitled to attend, speak and vote at the AGM is entitled to appoint the Chairman of the AGM as proxy to vote on his/her behalf. A proxy need not be a member of the Company.

Notes relating to measures to minimise the risk of the spread of COVID-19:

General

1. The COVID-19 (Temporary Measures) Act 2020 (Act 14 of 2020) that was passed by Parliament on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued by the Minister of Law on 13 April 2020 (as amended from time to time), provide legal certainty such that issuers are able to make alternative arrangements to hold general meetings where personal attendance is required under written law or legal instruments (such as a company's constitution). A joint statement was also issued by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange Regulation on 13 April 2020 to provide guidance on the conduct of general meetings during the period when elevated safe distancing measures are in place. The Company wishes to inform all Shareholders that the AGM is being convened, and will be held, by electronic means only and Shareholders will not be able to attend the AGM in person. Only the printed copies of this Notice, Proxy Form and Request Form will be sent to Shareholders. The Notice and Annual Report will also be made available to the Shareholders by electronic means via publication on the Company's corporate website http://www.magnusenergy.com.sg/ and the following URL: https://agm.conveneagm.com/magnus and will be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements. The Shareholders may request for a printed copy of the Annual Report by completing and submitting the Request Form to the Company by posting to the office of the Company's Share Registrar at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712.

2. Alternative arrangements are instead put in place to allow Shareholders to participate in the AGM by:

   (a) watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Note 3 below;

   (b) submitting questions ahead of the AGM. Please refer to Notes 8 to 10 below for further details; and

   (c) voting by proxy at the AGM. Please refer to Notes 11 to 17 below for further details.

Participation in the AGM via live webcast or live audio feed

3. A Shareholder of the Company or its corporate representative (in the case of a Corporate Shareholder) will be able to watch or listen to the proceedings of the AGM through a "live" webcast via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, the Shareholder must pre-register by 10.00 a.m. on 27 October 2020 ("**Registration Deadline**"), at the following URL: https://agm.conveneagm.com/magnus ("**MEG AGM Website**"), to create an account.

4. Following authentication of his/her/its status as a Shareholder of the Company, such Shareholder will receive an email on their authentication status and will be able to access the Live Webcast using the account created.

5. Shareholders who have registered by the Registration Deadline in accordance with paragraph 3 above but do not receive an email response by 12:00 p.m. on 29 October 2020 may contact the Company for assistance at the following email address: support@conveneagm.com, with the following details included: (a) the Shareholder's full name; (b) his/her/its identification/company registration number; and (c) the manner in which the shares are held (e.g. via CDP, CPF or SRS), for verification purposes.

6. Non-CPF/SRS holders whose shares are registered under Depository Agents ("**DAs**") must **also** contact their respective DAs to indicate their interest in order for their respective DAs to make the necessary arrangements for them to participate in the Live Webcast of the AGM proceedings.

7. Corporate shareholders must also submit the Corporate Representative Certificate to Share Registrar at rhtcaoscar@rhtcorporate.com, in addition to the registration procedures as set out in paragraph (3) above, by the Registration Deadline, for verification purpose.

NOTICE OF ANNUAL GENERAL MEETING

Submission of questions prior to the AGM

8. A Shareholder may also submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations. The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the AGM on SGXNET and the Company's website within one (1) month after the date of AGM.

9. To do so, all questions must be submitted **no later than the Registration Deadline** through any one of the following means:

   (a) via the MEG AGM Website; or

   (b) in physical copy by posting the same to the office of the Company's Share Registrar at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712.

10. If the questions are deposited in physical copy at the Company's registered office or sent electronically via the MEG AGM Website, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions: (a) the member's full name; and (b) his/her/its identification/company registration number for verification purposes, failing which the submission will be treated as invalid.

Voting by proxy

11. Shareholders may only exercise their voting rights at the AGM via proxy voting. The accompanying proxy form for the AGM may be accessed via the MEG AGM Website, the Company's corporate website http://www.magnusenergy.com.sg/, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

12. Shareholders (including a Relevant Intermediary*) who wish to vote on any or all of the resolutions at the AGM must submit a proxy form to appoint the Chairman of the Meeting as their proxy to do so on their behalf.

13. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) in the electronic format accessible on the MEG AGM Website;

   (b) if submitted by post, be posted to the office of the Company's Share Registrar at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712; or

   (c) if submitted electronically, be submitted via email to the Company's Share Registrar at rhtcaoscar@rhtcorporate.com,

   in any case **by no later than 10.00 a.m. on 27 October 2020, being 72 hours before the time appointed for the AGM.**

   In the case of submission of the Proxy Form other than via the MEG AGM Website, a Shareholder who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically.

14. In the case of submission of the Proxy Form other than via the MEG AGM Website, the instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation. Where an instrument appointing Chairman of the Meeting as proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

15. An investor who holds shares under the Central Provident Fund Investment Scheme and/or Supplementary Retirement Scheme and wishes to vote, should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes to appoint the Chairman of the Meeting as their proxy, at least seven (7) working days before the AGM.

16. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to vote at the AGM.

17. **Please note that shareholders will not be able to vote through the Live Webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.**

NOTICE OF ANNUAL GENERAL MEETING

*"Relevant Intermediary" means:

(a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a 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 licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act (Chapter 36) of Singapore, 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, if the CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal data privacy:

By pre-registering for the Live Webcast, submitting a Proxy Form appointing the Chairman of the Meeting as proxy to vote at the AGM and/or any adjournment thereof, and/or submitting questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations, a Shareholder of the Company (i) consents to the collection, use and disclosure of the Shareholder'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 AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the shareholder discloses the personal data of the Shareholder's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the Shareholder 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 Shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the Shareholder's breach of warranty.

MAGNUS ENERGY GROUP LTD.

Company Registration No. 198301375M
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. The Annual General Meeting ("**Meeting**") is being convened by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **Due to the current COVID-19 restriction order, a Shareholder will not be able to physically attend the Meeting. A Shareholder (including a Relevant Intermediary**) must appoint the Chairman of the Meeting as proxy to vote on his/her/its behalf at the Meeting if such Shareholder wishes to exercise his/her/its voting rights at the Meeting.**
2. Alternative arrangements relating to the attendance of the Meeting through electronic means, as well as conduct of the Meeting and relevant guidance with full details are set out in the accompanying Company's Notice of Meeting dated 15 October 2020, which can be accessed via the SGX website at: https://www.sgx.com/securities/company-announcements.
3. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investors**") and/or Supplementary Retirement Scheme ("**SRS Investors**") and wishes to vote should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes to appoint the Chairman of the Meeting as their proxy, at least seven (7) working days before the Meeting.
4. This Proxy Form is not valid for use by CPF Investors and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

ANNUAL GENERAL MEETING
PROXY FORM

(Please see notes overleaf before completing this Form)

I/We*, ____ (Name)

NRIC No./Passport No./Company Registration No. ____________________________

of ____ (Address)

being a Shareholder/Shareholders* of MAGNUS ENERGY GROUP LTD. ("**Company**"), hereby appoint the Chairman of the Meeting as my/our* proxy to attend, speak and vote for me/us* on my/our* behalf at the Meeting of the Company to be held by way of **electronic means** on **Friday, 30 October 2020 at 10.00 a.m**. and at any adjournment thereof.

I/We* direct my/our* proxy to vote for or against, or to abstain from voting on the Resolutions 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 appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

No.	Resolutions relating to:	No. of votes 'For'**	No. of votes 'Against'**	No. of votes 'Abstain'**
Ordinary Business				
1	Adoption of Directors' Statement and Audited Financial Statements for the financial year ended 30 June 2020			
2	Re-election of Mr. Charles Madhavan as a Director of the Company			
3	Re-election of Mr. Farooq Ahmad Mann as a Director of the Company			
4	Re-election of Mr. Michael Grant Pixley as a Director of the Company			
5	Re-election of Mr. Winston Milner as a Director of the Company			
6	Approval of the Independent Non-Executive Directors' fees amounting to S$130,000 for the financial year ending 30 June 2021, payable monthly in arrears			
7	Re-appointment of Baker Tilly TFW LLP as the auditors of the Company and to authorise the Directors of the Company to fix their remuneration			
Special Business				
8	Authority to allot and issue new shares pursuant to Section 161 of the Act and Rule 806 of the Catalist Rules			
9	Authority to allot and issue new shares under the Magnus Energy Employee Share Option Plan			
10	Authority to allot and issue shares under the Magnus Energy Performance Share Plan			

***If you wish to exercise all your votes 'For' or 'Against' or 'Abstain', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.*

Dated this ____________ day of ____________________ 2020

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
or Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

Due to the fast-evolving COVID-19 situation in Singapore, the Company may be required to change its Meeting arrangements at short notice. The Company is taking the relevant steps in accordance with the Part 4 of the COVID-19 (Temporary Measures) Act 2020.

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 Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. 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. **In light of the current COVID-19 measures in Singapore, shareholders will not be able to attend the Meeting in person. A Shareholder of the Company (including a Relevant Intermediary*) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.**

3. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

   (a) via the following URL: https://agm.conveneagm.com/magnus ("**MEG AGM Website**") in the electronic format accessible on the MEG AGM Website;

   (b) if submitted by post, be posted to the office of the Company's Share Registrar at 30 Cecil Street #19-08 Prudential Tower, Singapore 049712; or

   (c) if submitted electronically, be submitted via email to the Company's Share Registrar at rhtcaoscar@rhtcorporate.com,

   in any case by **no later than 10.00 a.m. on 27 October 2020, being 72 hours before the time appointed for the Meeting.**

   In the case of submission of the Proxy Form other than via the MEG AGM Website, a Shareholder who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically.

4. In the case of submission of the Proxy Form other than via the MEG AGM Website, the instrument appointing Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. Where the instrument appointing Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney (or other authority) or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

5. A corporation which is a Shareholder 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, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

6. An investor who holds shares under the Central Provident Fund Investment Scheme and/or Supplementary Retirement Scheme and wishes to vote, should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes to appoint the Chairman of the Meeting as their proxy, at least seven (7) working days before the Meeting.

*"Relevant intermediary" has the same meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy 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 the Chairman of the Meeting as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the Shareholder, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 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 Shareholder accepts and agrees to the personal data privacy terms set out in the Notice of Meeting dated 15 October 2020.

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr. Michael Grant Pixley	(Independent Non-Executive Chairman)
Mr. Charles Madhavan	(Executive Director and Chief Executive Officer)
Mr. Farooq Ahmad Mann	(Independent Non-Executive Director)
Mr. Winston Milner	(Independent Non-Executive Director)

AUDIT COMMITTEE

Mr. Farooq Ahmad Mann	(Chairman)
Mr. Michael Grant Pixley	(Member)
Mr. Winston Milner	(Member)

NOMINATING COMMITTEE

Mr. Winston Milner	(Chairman)
Mr. Farooq Ahmad Mann	(Member)
Mr. Michael Grant Pixley	(Member)

RENUMERATION COMMITTEE

Mr. Michael Grant Pixley	(Chairman)
Mr. Farooq Ahmad Mann	(Member)
Mr. Winston Milner	(Member)

COMPANY SECRETARY

Ms. Shirley Tan Sey Liy	(ACS)

REGISTERED OFFICE

30 Cecil Street, #19-08
Prudential Tower
Singapore 049712

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Website: www.magnusenergy.com.sg
Telephone number: +65 68121611
Fax number: +65 68121601

SHARE REGISTRAR & SHARE TRANSFER OFFICE

RHT Corporate Advisory Pte. Ltd.
30 Cecil Street, #19-08
Prudential Tower
Singapore 049712

CONTINUING SPONSOR

Novus Corporate Finance Pte. Ltd.
9 Raffles Place,
#17-05 Republic Plaza Tower 1,
Singapore 048619

INDEPENDENT EXTERNAL AUDITOR

Partner-in-charge: Mr. Gilbert Lee
Baker Tilly TFW LLP
(appointed in year 2020)
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

INDEPENDENT INTERNAL AUDITOR

Nexia TS Risk Advisory Pte Ltd
80 Robinson Road
#25-00, Singapore 068898

PRINCIPAL BANKERS

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

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