

# ANNUAL 20 16 REPORT

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This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's continuing sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst. The Sponsor has not independently verified the contents of this Annual Report.

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 Bernard Lui whose details are set out below:  
Tel: 6389 3000 Email: [bernard.lui@morganlewis.com](mailto:bernard.lui@morganlewis.com)

## CORPORATE PROFILE

SGX Catalist Board-listed Magnus Energy Group Ltd. (“**Magnus**”) is an investment holding company with a diversified portfolio comprising oil, coal and gas assets, oil and gas equipment distribution, renewable energy and natural resources trading, property and infrastructure development, and industrial waste water treatment.

Incorporated in 1983 as a mechanical and engineering company, Magnus acquired Mid-Continent Equipment Group Pte Ltd. (“**Mid-con**”) in 2004, marking its entry into the oil and gas supply industry. Mid-con is a leading global oil and gas equipment distribution group with offices in the United States, India, Australia and New Zealand, and headquartered in Singapore.

In July 2008, Magnus successfully listed its coal operations under APAC Coal Limited (“**APAC**”), on the Australian Stock Exchange. A subsidiary of Magnus, APAC is a coal exploration company and has a 30-year concession right to explore coal over 23,124 ha of land in East Kalimantan, Indonesia.

Diversifying beyond its oil and coal business, Magnus has progressively moved into the property and infrastructure development business in Indonesia through its wholly-owned subsidiary MEG Global Resources Limited and PT MEG Harta Indonesia.

In December 2015, Magnus acquired 60% of the enlarged share capital of Flagship Ecosystems Pte Ltd (“**Flagship**”), a Singapore-based manufacturer and solutions provider in wastewater and industrial effluents treatment technology and systems. A subsidiary of Magnus, Flagship’s key clients are in the textile and oil & gas industries, as well as in food and beverage, paper mills, and automotive industries.

Magnus Group has further expanded its investment horizon through its wholly-owned subsidiary, MEG Management Sdn. Bhd. to build and manage a microalgae oil cultivation facility in Selangor, Malaysia, to create sources of renewable energy, through which a cultivation process capable of contributing to the global carbon emissions reduction efforts.



**Kushairi Bin Zaidel**  
Chairman and Independent Director

## DEAR SHAREHOLDERS,

On behalf of our Board of Directors, I am pleased to present to you the Annual Report for Magnus Energy Group Ltd. (the “**Company**” and together with its subsidiaries, the “**Group**”) for our financial year ended 30 June 2016 (“**FY2016**”).

FY2016 was a challenging year for the Group. The oil and gas sector has been going through one of its most transformative periods in its history, which we believe will ultimately redefine the energy business as we know it. The spectacular drop in oil prices at the end of 2015 to below US\$40 per barrel – down more than 60 percent from their high in 2014 – reflects weak global demand and rampant supply amid growing concerns over the slowing worldwide economic growth, especially in China. We expect this imbalance to worsen this year.

Iran meanwhile is planning to raise oil output to pre-sanction levels, raising concerns that an oversupply of oil could dampen hopes of a price recovery and delicate rebalancing in oil markets following a Russia-Saudi Arabian deal to stabilize oil markets. Adding in the instability in the Middle East, it would not be surprising if oil prices remain low for the near future, or in fact, if volatility returns.

Nonetheless, despite the prevailing conditions, over the past year we continued to work hard to raise new funding, manage our debt and rationalise our cost structure, while improving operational efficiencies. As we strive to tackle our cost and investment concerns in the short term, we will also prepare ourselves to respond to the future impact of the inevitable external environmental pressures that we are operating in.

## FINANCIAL HIGHLIGHTS

With the prolonged weakness in global oil prices over the past year, demand for offshore oil and gas drilling services has weakened, affecting demand for our oilfield equipment supplies and services. Comprising the bulk of our Group revenue, the slowdown in business in this major segment caused total Group revenue to decrease by 51.6 percent from S\$44.5 million for financial year 2015 (“**FY2015**”) to S\$21.6 million in FY2016, which eventually was the main contributor of operating losses for the Group.

In tandem with the decreased revenue, cost of sales decreased by 51.4 percent from S\$35.6 million for FY2015 to S\$17.3 million for FY2016. All in, gross profit has decreased by 52.3 percent from S\$8.9 million for FY2015 to S\$4.2 million for FY2016. Gross profit margin remained at about 20 percent for FY2015 and FY2016 as the overall decrease in profit margin from oil and gas equipment segment was offset by higher margins from our waste water treatment segment.

Expenses have increased by S\$5.1 million from S\$11.8 million for FY2015 to S\$16.9 million for FY2016 resulting from increase in other operating expenses offset by lower administrative expenses. Other operating expenses for FY2016 was mainly contributed by impairment of available-for-sale financial assets of S\$2.3 million, provision for obsolete stocks of S\$2.0 million, impairment of goodwill of S\$0.3 million, impairment of plant and equipment of S\$0.5 million and exploration expenditures of S\$3.1 million. The Group recorded lower exchange loss in FY2016 as compared to FY2015. Decrease in administrative expenses was mainly due to reduction of remuneration related expenses of approximately S\$1.0 million from S\$5.8 million in FY2015 to S\$4.8 million in FY2016.

# CHAIRMAN'S STATEMENT

## OPERATIONAL HIGHLIGHTS

Thus far, we have successfully raised S\$21.5 million (out of the S\$35 million) under the Notes Issue which strengthened our capital base, as well as facilitated our operations and strategic investments.

Despite the current moribund business climate for the oil and gas sector, coupled with the possible dampening effects on oil prices with the lifting of sanctions against Iran, the Group cautiously believes prospects remain positive for the oil and gas equipment supplies segment. Mid-Con is restructuring its loss-making subsidiaries and has a strong balance sheet position.

The Group's oilfield equipment supplies and services segment, Mid-Continent Equipment Group Pte Ltd and its subsidiaries ("**Mid-Con Group**") currently forms the Group's main core business. The prolonged weakness in global oil prices has negatively affected the overall performance of the Mid-Con Group and hence, the Group. Jute-1 and Willow-1 have been drilled as part of the ongoing drilling campaign in PRL 173 and PRL 174. The drilling costs have been expensed off in profit or loss as the gas reserves did not result in any measurable commercial value.

## HIGHLIGHTS IN FY2016

The oil and gas segment in the Group has resulted in losses due to the prolonged weakness in the oil prices. Substantial non-cash losses have been incurred with the provisions made for the coal segment by way of provisions made for our intangible assets.

As announced on 30 June 2016 and 2 August 2016 by APAC Coal Limited ("**APAC**"), APAC has entered into a sales and purchase agreement to acquire 100 percent of the shares in Sharp Year Ventures Limited, which shall be fully funded by the issuance of APAC's shares (the "**Proposed Acquisition**"). The Proposed Acquisition presents an excellent opportunity for the Company to enhance the value of its shareholdings in APAC and also to rationalise its loss making coal division that currently has a protracted legal dispute. In view of this, the Group has made a one off non-cash impairment of S\$21.2 million.

With a positive view on the economy and property prices in the city of Kupang in East Nusa Tenggara, Indonesia, we expect the property development project in Kupang to turn out positively, which provide us with assurances on the repayment of the Redeemable Convertible Loan ("**RCL**"). The RCL has generated S\$0.5 million of interest income to the Group.

Through our wholly-owned subsidiary MEG Global Resources Limited ("**MGR**") we entered into several other projects with PT Hanjungin, namely road projects in Central Java and South Java, and a dam project in West Java. These other projects have been deemed as not successful, and we have subsequently terminated them and have received partial repayment of our principal investment sums from our partner, PT Hanjungin, subject to one last road project in South Java. The road projects in Central Java, though deemed as not successful, have generated profit of S\$0.02 million.

As a whole, PT Hanjungin has been a good partner, and we have generated profits from the said ventures, as PT Hanjungin has upheld their guarantee on all our investments.

In line with the Group's vision and strategy to diversify into property and infrastructure development, operation and management as well as investing and participating in the trading of minerals and natural resources sector, the Company and MGR, has on 1 June 2016 incorporated a foreign investment company in Indonesia, known as PT MEG Harta Indonesia ("**PT MEG**").

The Group has also invested in the waste water treatment solution and equipment provider Flagship Ecosystem Pte Ltd ("**FES**") and its wholly owned subsidiary PT ESI International ("**ESI**"). Profitability in ESI has been negatively affected by the depressed oil prices as ESI has several servicing contracts in the oil and gas industry to treat the waste water produced by the oil companies. Nevertheless, we have clinched some sales of our Electro Contaminant Removal Units ("**ECR units**") and looking forward to increase the sales of the ECR units in the coming financial year. The FES group recorded an operating loss of approximately S\$0.5 million on the back of S\$0.5 million sales.

## CHAIRMAN'S STATEMENT

During the financial year, the Group entered into a joint investment agreement with Yangtze Investment Partners Limited to invest in a renewable energy company that will be undergoing either a potential initial public offering or a reverse takeover. Due to the poor performance of the relevant stock market, we have been informed that the potential reverse takeover has been withdrawn and the renewable energy company has refocused its efforts to a fresh listing in Nasdaq, in view of a higher valuation and returns for its investors. Due to the several extensions and delays of a successful listing, the Group has made a full provision of our investment on prudence basis. Nevertheless, the Group will continue to monitor the progress of the initial public offering of the aforesaid renewable energy company.

On 22 June 2016, the Company's wholly-owned subsidiary, MEG Management Sdn Bhd ("**MEG**") has embarked into a project to build and manage a microalgae oil cultivation facility ("**Project**") in Selangor, Malaysia. This is a significant Project which we expect to have a positive effect on the net tangible assets per share and earnings per share of the Group for the financial year ending 30 June 2017.

This Project presents an excellent opportunity for the Group to cultivate a renewable source of energy with a by-product which we expect to generate favourable returns. The cultivation process contributes positively to the environment as the growth process of the microalgae consumes carbon dioxide.

### CONCLUSION

Over the year in review, we appointed Mr Ong Sing Huat, the Company Secretary of Magnus, as a Non-Executive, Non-Independent Director with effect from 2 November 2015. Mr Ong has also been appointed as a member of the Audit Committee, Nominating Committee and Remuneration Committee.

With the existing funding arrangements from the Notes Issue, the Group is actively pursuing new acquisitions and investment opportunities globally.

As we enter the new financial year ahead, whilst we realise that there will be challenges, we firmly believe we have the right strategy and vision in place, and the execution to bring the Group forward. We will rise to the occasion, as we reposition the company based on what we do well today as well as capitalise on the many opportunities we see going forward.

In conclusion, on behalf of the Board, let me thank our directors, management and staff for their hard work and unending faith over the past year. Allow me to also thank our loyal shareholders for their continued support.

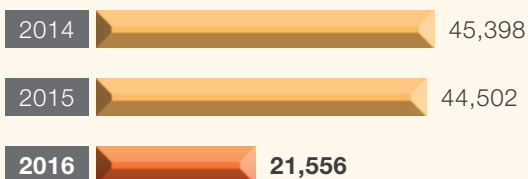
We look forward to your continued partnership in the year ahead.

### **KUSHAIRI BIN ZAIDEL**

*Chairman and Independent Director*

## FINANCIAL HIGHLIGHTS

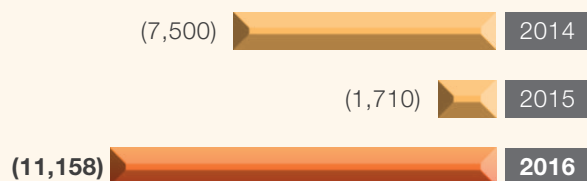
### TURNOVER (S\$'000)



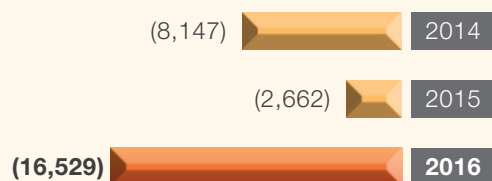
### NET ASSET VALUE (S\$'000)



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



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

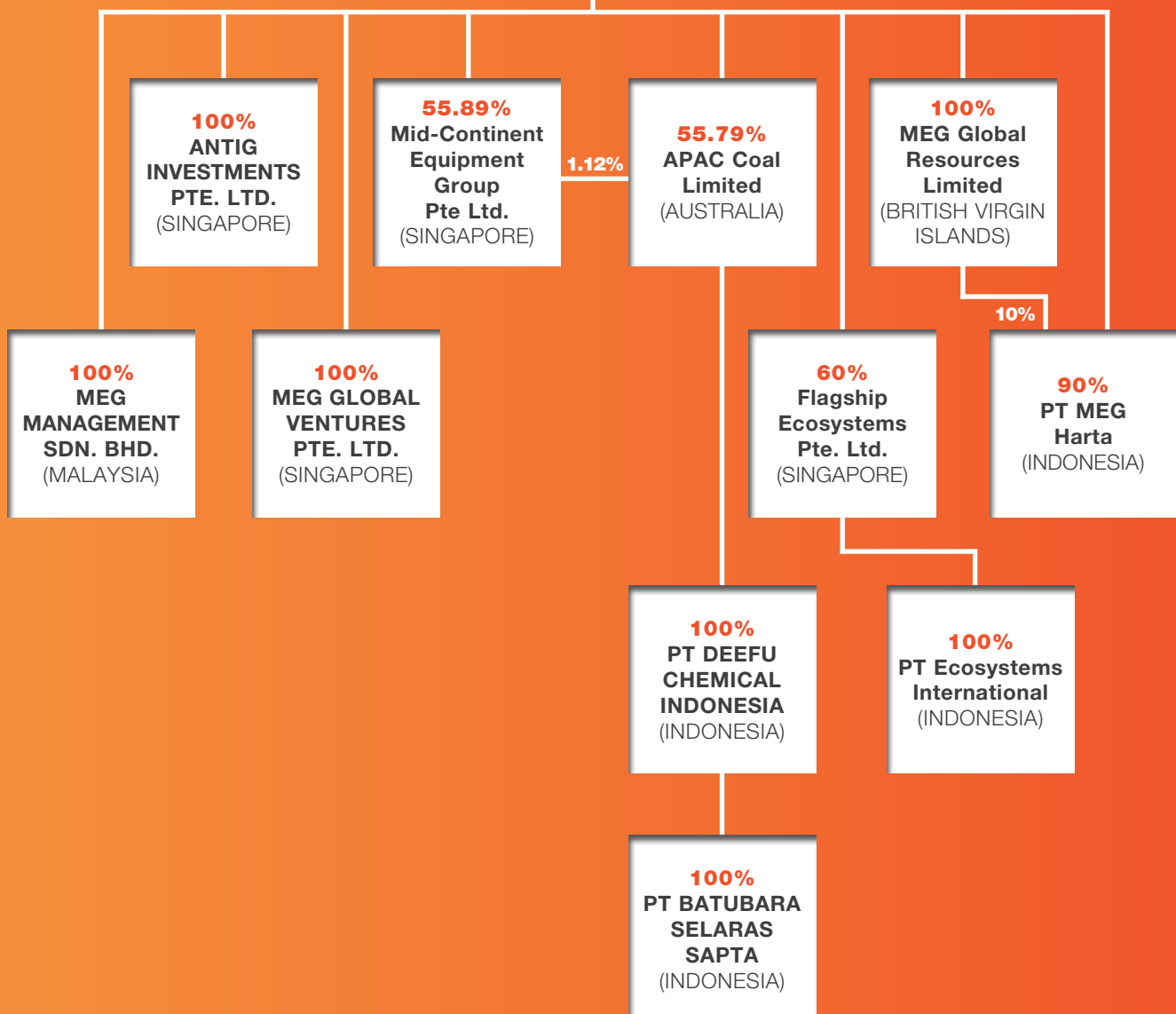


	2016	2015	2014
Basic Losses per Share (Cents)	<b>(1.46)</b>	<b>(4.93)</b>	<b>(19.88)</b>
<b>TURNOVER BY BUSINESS ACTIVITIES</b>			
Oilfield equipment supply and services (S\$'000)	21,100	43,997	45,398
Waste water treatment supply and services (S\$'000)	456	–	–

## GROUP STRUCTURE



**MAGNUS ENERGY  
GROUP LTD.**  
(SINGAPORE)





## BOARD OF DIRECTORS

### MR KUSHAIRI BIN ZAIDEL

Chairman and Independent Director

**Date of first appointment:** 05 November 2012

**Date of last re-election as a director:** 29 October 2014

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

Mr Zaidel is the founder and executive director of several private companies in Malaysia with extensive businesses coverage in commercial property developments, telecommunications, civil engineering services and venture capital. He is currently a non-executive independent director of Kuantan Flour Mills Bhd., a company listed on Bursa Malaysia. Mr Zaidel is also a board member of MEG Global Resources Limited and MEG Management Sdn. Bhd., both subsidiaries of Magnus. He was formerly a director of Mid-Continent Equipment Group Pte Ltd. and Flagship Ecosystems Pte. Ltd. which are also subsidiaries of Magnus.

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

### MS SEET CHOR HOON

Independent Director

**Date of first appointment:** 15 August 2014

**Date of last re-election as a director:** 29 October 2015

**MS SEET** joined the Board as an independent Director in August 2014. She is also the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Ms Seet is currently a director and owner of an education business. She is also a board member of Mid-Continent

Equipment Group Pte Ltd., a subsidiary of Magnus. She was a search consultant with an established search firm specializing on searches for senior human resources, finance and business leader positions for clients of multinational corporations headquarters in China. Prior to that, Ms Seet held various senior positions in a multinational company in the areas of human resource, business development, retail distribution and marketing from 1999 to 2009.

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

### MR ONG CHIN CHUAN

Independent Director

**Date of first appointment:** 30 June 2015

**Date of last re-election as a director:** 29 October 2015

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

Mr Ong is currently the Head of Finance leading corporate exercise, accounting, credit control and treasury functions in Singer (Malaysia) Sdn Bhd, a consumer durables marketing company, and its group of companies. He has more than 17 years of financial and accounting experience in both professional and commercial firms, having held numerous senior roles in various multinational corporations. His earlier professional experience includes risk management and internal audit within two blue chip conglomerates with exposure in power generation, gaming, leisure and property investment industries. Prior to that, he also served for more than 3 years as an audit assistant and corporate reorganisation consultant in Deloitte Malaysia.

Mr Ong is a fellow member of Association of Chartered Certified Accountants and also a Chartered Accountants of Malaysian Institute of Accountants.

## BOARD OF DIRECTORS

### MR ONG SING HUAT

Non-Executive Non-Independent Director

**Date of first appointment:** 02 November 2015

**Date of last re-election as a director:** N/A

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

Mr Ong is currently a Partner and co-head of the Business Practice Group at Robert Wang & Woo LLP.

He started his legal career as a civil litigator dealing with a wide variety of practice areas such as contractual and shareholder disputes, matrimonial proceedings, insurance, shipping and construction law before finding his passion and niche in corporate and commercial work.

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

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

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

## KEY MANAGEMENT

### MR LUKE HO KHEE YONG

Chief Executive Officer

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

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

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

### MR TAN YEW MENG

Financial Controller

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

He is responsible for all matters relating to the Group’s finance, tax, treasury, insurance, capital management, risk management, and general management of the subsidiaries as well as compliance issues. He has 8 years of experience in providing audit and advisory services to clients from diverse industries including manufacturing, food and beverage, education, real estate and engineering.

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

### MR ONG ENG KEE

Consultant

Mid-Continent Equipment Group Pte Ltd.

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Mr Ong is a consultant to our subsidiary, Mid-Continent Equipment Group Pte Ltd.

He is responsible for guiding policy and strategy formulation, and advising the general business direction, helping the leadership to steer the Group through its growth plans in local and overseas markets, given his substantial experiences in the Group’s oilrig industry.

### MR JASON ONG WIE

Director

Mid-Continent Equipment Group Pte Ltd.

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

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

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

## KEY MANAGEMENT

### MR TAY KHENG HWEE DEN

Chief Operating Officer  
Mid-Continent Equipment Group Pte Ltd.

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Mr Tay is the chief operating officer of our subsidiary, Mid-Continent Equipment Group Pte Ltd. ("**Mid-Con**") and has been with Mid-Con since December 1998.

He is responsible for overseeing the Group's sales, operations, purchasing, logistics, technical, and training functions. He is in charge of business development of our Group's operations and works with business unit managers to continually develop new ideas and methods to improve business process and scope. Prior to that, Mr Tay was the Group General Manager of Mid-Con from March 2005 to February 2006.

Mr Tay holds a Bachelor of Commerce (Management & Marketing) from Curtin University of Technology, Australia.

### MR MAUNG THEIN HTIKE, TIM

President  
Mid-Continent Equipment Inc. (USA)

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

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

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

### MR THERON MADHAVAN

Chief Executive Officer  
Flagship Ecosystems Pte. Ltd.

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Mr Madhavan is the chief executive officer of our subsidiary, Flagship Ecosystems Pte. Ltd. ("**FES**") and its subsidiary, PT Ecosystem International (collectively, "**FES Group**"). He has been with FES since 2005.

Mr Madhavan is responsible for the overall management, operations, business development and technology innovation of FES Group. He previously held senior management appointments in various Singapore companies and also served in the Air Force as an Air Defence Officer.

Mr Madhavan holds a Bachelor of Engineering Degree from the National University of Singapore.

# CORPORATE INFORMATION

## Board of Directors

### Kushairi Bin Zaidel

(Chairman and Independent Director)

### Ong Sing Huat

(Non-Executive Non-Independent Director)

### Seet Chor Hoon

(Independent Director)

### Ong Chin Chuan

(Independent Director)

## AUDIT COMMITTEE

**Ong Chin Chuan** (Chairman)

**Kushairi Bin Zaidel** (Member)

**Seet Chor Hoon** (Member)

**Ong Sing Huat** (Member)

## NOMINATING COMMITTEE

**Kushairi Bin Zaidel** (Chairman)

**Seet Chor Hoon** (Member)

**Ong Chin Chuan** (Member)

**Ong Sing Huat** (Member)

## REMUNERATION COMMITTEE

**Seet Chor Hoon** (Chairman)

**Kushairi Bin Zaidel** (Member)

**Ong Chin Chuan** (Member)

**Ong Sing Huat** (Member)

## COMPANY SECRETARY

Ong Sing Huat

## DEPUTY COMPANY SECRETARY

Chow Yin Nei Angeline

## REGISTERED OFFICE

76 Playfair Road

#02-02 LHK 2 Building

Singapore 367996

Tel: 6325 1850

Fax: 6325 1851

Electronic mail address: [info@magnusenergy.com.sg](mailto:info@magnusenergy.com.sg)

Website: [www.magnusenergy.com.sg](http://www.magnusenergy.com.sg)

## CONTINUING SPONSOR

Stamford Corporate Services Pte. Ltd.

10 Collyer Quay

#27-00 Ocean Financial Centre

Singapore 049315

## SHARE REGISTRAR & SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services

(A division of Tricor Singapore Pte Ltd)

80 Robinson Road

#02-00

Singapore 068898

Tel: 65-6236 3333

Fax: 65-6236 3405

## INDEPENDENT AUDITOR

Moore Stephens LLP

Public Accountants and

Chartered Accountants

10 Anson Road

#29-15 International Plaza

Singapore 079903

Partner-in-charge:

Mr Ng Chiou Gee Willy

(Appointed since financial year ended 30 June 2012)

## PRINCIPAL BANKERS

United Overseas Bank Limited

80 Raffles Place

#12-00 UOB Plaza 1

Singapore 048624

# SUSTAINABILITY REPORT

## Corporate Profile

Incorporated in 1983, SGX Catalist Board-listed Magnus Energy Group Ltd. (“**Magnus**”) is an investment holding company with a diversified portfolio comprising oil, coal and gas assets, oil and gas equipment distribution, renewable energy and natural resources trading, property and infrastructure development, and industrial waste water treatment.

Magnus aims to maximise shareholder value through strategic investments in profitable projects and acquisitions globally with the goal of broadening Magnus’s earnings base and shareholder value.

## Board Sustainability Statement

The Board of Directors (“**Board**”) considers the sustainability of the material environmental, social and governance aspects in its strategy formulation and strives to create sustainable growth for all stakeholders.

Below are the three main prongs of our sustainability strategy:

Develop	Committed to innovation with game-changing technologies to raise quality, productivity and sustainability
Manage	Managing our safety, health and environmental footprint and impact
Engage	Actively engage stakeholders to adopt responsible social and environmental practices

## Sustainability Commitment

Magnus’ sustainability strategy is dedicated to development of the economic and social well-being of all its stakeholders and Magnus upholds high standards of corporate governance and transparency to safeguard shareholder value. An adequate and effective enterprise risk management framework is in place to enhance business resilience and adaptation 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.

## Sustainability Reporting Framework

While this report has not adopted any international framework, the Board and Management drives the growth and development of Magnus by focusing its strategies on the areas as shown:

SUSTAINABILITY							
Our Employees	Risk Management	Our Business Partners	Corporate Governance	Financial Management	Social and Environmental Responsibility	Operational Safety	Our Shareholders

# SUSTAINABILITY REPORT

## 1. Our Employees

Our employees are pivotal to the sustainable growth and success of Magnus. Magnus encourages and motivates our employees to develop their skills through participating in trainings and seminars, and all employees are encouraged to take on more challenging roles in Magnus.

Regardless of gender, race, religion or nationality, all employees are treated equally and with respect. We promote fair employment practices and create an environment free from discrimination. Magnus will continuously work towards creating a safe and conducive work environment for all employees. All employees are recruited based on their merits.

Employees belonging to the “pioneer generation” are welcomed to continue working in Magnus as long as they are medically fit and can perform their work satisfactorily. In addition, Magnus encourages skills, age and gender diversity in the workplace as Magnus believes that these diversities would promote better decision-making through the diversity of views and aid in the formulation of better policies in the workplace.

	2015	2016
Number of regular employees at year end	77	74
Men in total workforce	68%	58%
Women in total workforce	32%	42%
Employees working in their home country	81%	80%

### Age distribution (2016)

21-40	50%
40-50	19%
> 50	31%

### Holistic Wellness Program

Magnus focuses on the following three pillars to ensure the sustainability of high levels of service standards at every level of the group. Each pillar strives to achieve the betterment of our human capital and the commitment of Magnus to all its employees.



# SUSTAINABILITY REPORT

## Anti-corruption and Fraud Prevention

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

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

## 2. Risk Management

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

Magnus has engaged an external professional firm to enhance the "Enterprise Risk Management" framework. This framework helps Magnus to identify the critical risks of our businesses, assess our risk management, policies and procedures, and recommend best practices to mitigate these risks. This helps to optimize the risk-reward relationship of the business.

Energy price risks	The Group is exposed to fluctuating energy prices, such as oil and coal prices. Lower oil price will result lower revenue from our oilfield equipment supply and services. In order to mitigate the risk of over reliance on the oilfield equipment supply and services segment, the Group has ventured into waste water treatment segment and infrastructure development. The Group is in the process of disposing its loss making coal division that currently has a protracted legal dispute.
Investment risks	The Group's investment risks relate mainly to capital investment on acquisitions or investments in business entities. The capital investment projects, including the selection of suppliers and contractors, are subject to financial procedures and internal selection criteria for the purpose of expenditure control. Investment activities relating to acquisitions or investments in business entities are supported by experienced employees and, where necessary, by external professionals for specialized services. The Group adopts a disciplined approach in investment evaluation and decision making to ensure that it is in line with the Group's strategy and investment objectives. The business proposals for investment activities are presented to the Board for approval.



# SUSTAINABILITY REPORT

## 2. Risk Management (Continued)

Financial risks	The Group's activities are exposed to a variety of financial risks including credit, foreign currency, market, interest rate and liquidity risks. The Group's 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 Audit Committee oversees the Group's financial risk management process through timely reviews of the adequacy and effectiveness of the financial risk management policy, tools, practices, strategies and treatments. The management of these risks is discussed in the Financial Instruments section of the Notes to the Financial Statements.
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## 3. Our Business Partners

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

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

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

## 4. Corporate Governance

Magnus is committed to maintaining good corporate governance and business integrity. Magnus's corporate governance practices are set out in our Annual Report with specific reference and adherence to the principles and guidelines of the Code of Corporate Governance 2012.

## 5. Financial Management

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

The Notes Issue currently provides the Company with additional capital to seek and seize investment and acquisition opportunities for the future growth of Magnus.

# SUSTAINABILITY REPORT

## 6. Social and Environmental Responsibility

Magnus is committed to reducing waste generation and complying with all laws, regulations and standards in relation to environmental protection. To minimize the environmental impacts of Magnus's business activities, Magnus adheres closely to the ISO standards and audit which aims to control quality, environment, occupational health and safety risks. Wastage from operations are disposed of properly in compliance with the ISO standards. Whenever possible, by-products that are generated from Magnus's operations will be sent for recycling.

Magnus recognizes the importance of creating an eco-friendly work place and encourages recycling and discourages wastage in the workplace. Digital filing of corporate records is highly encouraged to reduce wastage of paper.

Magnus has taken steps to educate its employees on the importance of conserving energy, for example, through posting posters on saving water and electricity tips within the office premise.

In the countries that we operate in, Magnus is pleased not to have received any penalty for the flouting of environmental laws. This is largely due to Magnus's strict adherence to environment laws and regulations which stem from Magnus's strong commitment towards environmental protection and conservation. Magnus's business partners have also been constantly reminded by Magnus about the importance of environmental protection and conservation.

Magnus contributes to the community by way of cash donations to certain approved charitable organizations and participates in charity fund-raising and awareness events. Some of the charities that Magnus has been involved with or have contributed financially to include sports-related events, the Singapore Children Society, the Salvation Army and Home Nursing Foundation.

## 7. Operational Safety

Magnus places strong emphasis on employees' safety in the workplace. Safety remains the top priority in Magnus's business operations and Magnus aims to maintain zero incidence of accidents.

Our major subsidiaries comply strictly with OHSAS safety standards and have in place safety committees to oversee safety measures and safety audits in the workplace. Safety audits are regularly held to ensure that safety measures are in place for employees. The safety committees hold meetings and trainings regularly for employees to educate them about the importance of safety measures.

Magnus has employees who are trained to provide first aid to injured employees. There are sufficient first aid kits located around the workplace to ensure that injured employees can be given immediate medical attention. In addition, fire drills are conducted regularly at our subsidiaries that have their own premises to ensure that employees are adequately prepared in the event of a fire incident.

We do not have any major accident record.

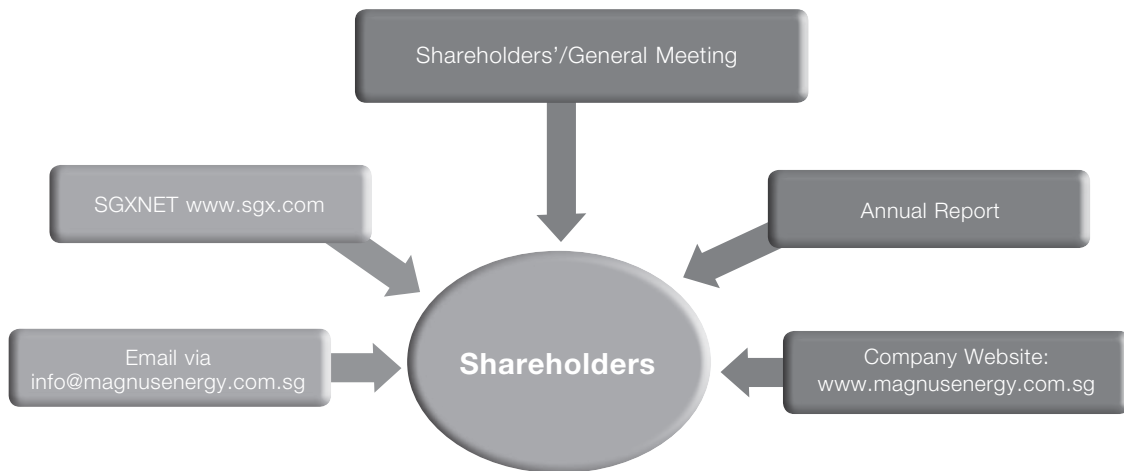
# SUSTAINABILITY REPORT

## 8. Our Shareholders

The Board of Directors and Management are committed to uphold good corporate governance practices and standards, as part of their collective effort to enhance shareholders' value. The support of our shareholders is of utmost importance to the successful implementation of the initiatives of Magnus.

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

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



# CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**” or collectively the “**Directors**” and individually “**Director**”) of Magnus Energy Group Ltd. (“**Magnus**” or the “**Company**”) is committed to maintaining a high standard of corporate governance and transparency within the Company and its subsidiaries (the “**Group**”) in accordance with the principles and guidelines set out in the Code of Corporate Governance 2012 (the “**Code**”). The Board recognises the importance of practicing good corporate governance as it establishes and maintains an ethical environment and enhances shareholders’ value and financial performance of the Group.

This report describes the Company’s corporate governance practices with specific reference made to each principle of the Code for the financial year ended 30 June 2016 (“**FY2016**”). Where there are any deviations from the Code, appropriate explanations have been provided.

## 1. BOARD MATTERS

### THE BOARD’S CONDUCT OF ITS AFFAIRS

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

#### Role of the Board

The role of the Board is to oversee the business and corporate affairs of the Group and provide entrepreneurial leadership, set strategic direction and guidance on corporate governance for the Group. The Board’s principal functions include, among others:

- approving the Group’s policies, corporate strategic plans and objectives for the Group;
- establishing a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders’ interests and the Company’s assets;
- nominating Directors for appointment to the Board and appointing of key managerial personnel;
- overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- reviewing the Group’s operations and financial performance and the performance of Management;
- identifying key stakeholder groups and recognising the importance of their perception on the Company’s standing and reputation; and
- considering sustainability issues, including environmental and social issues as part of the Group’s strategic formulation.

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

The Board with its best efforts and knowledge ensures that shareholders and stakeholders needs are addressed by setting standards and values to uphold the performance and integrity of both the Board and the Management. The Board communicates the requirements and demands during the meetings held throughout the year with the Management.

# CORPORATE GOVERNANCE REPORT

## 1. BOARD MATTERS (Continued)

### Role of the Board (Continued)

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

### Board Processes

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

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

### Board Meetings Held

The Board meets at least quarterly to review and consider the Group's key activities, strategies, financial performance and to approve the release of the results of the Group. Fixed meetings are scheduled at the beginning of each calendar year. Ad hoc meetings are convened when there are pressing matters requiring the Board's decisions and approvals in between the scheduled meetings. Clear directions are given to the Management on matters that must be approved by the Board.

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

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

# CORPORATE GOVERNANCE REPORT

## 1. BOARD MATTERS (Continued)

### Board Meetings Held (Continued)

The Constitution of the Company provides for the directors to participate in Board meetings other than physical meetings, by means of teleconferencing or video-conferencing. The number of meetings held by the Board and Board Committees and attendance of each member of the Board for the financial year under review is tabulated below:

Director	Board		AC		RC		NC	
	No. of Meetings							
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Kushairi Bin Zaidel	7	6	4	3	1	1	1	1
Ong Sing Huat <sup>(1)</sup>	7	4	4	3	1	0	1	0
Seet Chor Hoon	7	7	4	4	1	1	1	1
Ong Chin Chuan	7	7	4	4	1	1	1	1

(1) Mr Ong Sing Huat was appointed as a non-executive non-independent director of the Company, a member of the AC, NC and RC on 2 November 2015.

### Training of Directors

For newly appointed directors, the Company will provide a welcome pack containing the relevant governance documents, including the Code, the Company's Constitution, the Directors' Code of Conduct setting out the standards to ensure directors discharge their responsibilities dutifully and diligently, Board Committees terms of reference, schedule of all meetings and events for the calendar year, and copies of other relevant legislation and guidance, Company policy and procedure documents. Further, the Company conducts orientation for incoming directors to introduce and familiarise them with the business operations and regulatory issues of the Group. To obtain a better understanding of the Group's business, the Directors are also given the opportunity to visit the Group's operational facilities and meet with the management.

Directors are kept abreast of any developments which are relevant to the Group and informed via electronic mail of regulatory changes affecting the Group. In addition, the Board encourages its members to attend seminars organised by the Singapore Institute of Directors (the "SID") or the Singapore Exchange Securities Trading Limited (the "SGX-ST") and receive appropriate training to improve themselves on the continuing obligations and various requirements expected of a listed company in the discharge of their duties as directors and the costs of such training will be borne by the Company. Where the Company appoints a first-time director, the new appointee would be put through the Listed Company Director Programme conducted by SID. The company secretary and/or deputy company secretary will bring to the Directors' attention, information on seminars that may be of relevance to them. The Company also provides a formal appointment letter setting out duties and obligations of a Director upon the appointment of a new director.

# CORPORATE GOVERNANCE REPORT

## 2. BOARD COMPOSITION AND GUIDANCE

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

The Board comprises one non-executive non-independent director and three independent directors:

Name of Directors	Designation	Date of Appointment	Date of Last Re-election	AC	NC	RC
Kushairi Bin Zaidel	Non-executive chairman and independent director	05 November 2012	29 October 2014	Member	Chairman	Member
Ong Sing Huat	Non-executive non-independent director	02 November 2015	N.A.	Member	Member	Member
Seet Chor Hoon	Independent director	15 August 2014	29 October 2015	Member	Member	Chairman
Ong Chin Chuan	Independent director	30 June 2015	29 October 2015	Chairman	Member	Member

The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence. The Board has sought and obtained written confirmations from each of the current independent directors that, apart from their office as Directors of the Company, none of them has, *inter alia*, any other relationship (business or otherwise), in the current or past three financial years, with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgment with a view to the best interests of the Company.

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

None of the current independent directors has served on the Board beyond nine years from the respective date of their first appointment.

During FY2016, the Board appointed Mr Ong Sing Huat (Mr "**Ong SH**") as a non-executive non-independent director of the Company effective 2 November 2015. Consequently Mr Ong SH has been appointed as a member to the AC, RC and NC on the same date.

There is adequate relevant competence on the part of the Directors, who, as a group, carry an appropriate mix of diversity of skills, gender and experience in areas namely, accounting and finance, business and management, legal and corporate governance aspects. The inclusion of a female independent director also enhances the depth of expertise of the Board.

Details of the academic, professional qualifications and experience of the Board can be found in the write-up on the 'Board of Directors' section of the Annual Report.

# CORPORATE GOVERNANCE REPORT

## 2. BOARD COMPOSITION AND GUIDANCE (Continued)

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.

Although all the directors have an equal responsibility for the Group's operations, the role of these non-executive directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and taking into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive directors of the Company help to develop proposals on strategy and also review the performance of the Management in meeting agreed goals and objectives. The non-executive directors are also encouraged to meet regularly without the Management being present.

## 3. CHAIRMAN AND CEO

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

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

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

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

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



# CORPORATE GOVERNANCE REPORT

## 4. BOARD MEMBERSHIP

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

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

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

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

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

- identify suitable candidates and review all nominations on appointments and re-appointment of Directors, having regard to the Director's contribution and performance including making recommendations on the composition of the Board and the balance between executive and non-executive directors appointed to the Board;
- review the Board structure, size and composition annually;
- determine the independence of directors annually, guided by the independent guidelines contained in the Code;
- 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;
- review of board succession plans for Directors, in particular, the Chairman and for the CEO; and
- develop a process for evaluation of the performance of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board.

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)

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

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

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

With the Board and Management working closely together as a team, the Company has stabilised its cash flow and operations, and is now preparing itself for growth.

The Board noted that Luke has been notified in the course of the investigations by the Commercial Affairs Department ("**CAD**") that there have arisen reasonable grounds to believe that he has committed an offence under Section 197 of the Securities and Futures Act, Chapter 289 on false trading and market rigging. As the said investigations have not been concluded, Luke shall remain as CEO of the Company. The Board will continue to assess Luke's suitability for his role as CEO and will also look into succession planning in the Company and identify potential executives and management as well.

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

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

# CORPORATE GOVERNANCE REPORT

## 4. BOARD MEMBERSHIP (Continued)

Under Regulation 78 of the Company's Constitution, newly appointed directors would be required to submit themselves for re-nomination and re-election at the forthcoming AGM. Regulation 96(2) of the Company's Constitution requires that one-third of the directors retire by rotation at every AGM. In accordance with the Company's Constitution, Mr Ong SH shall retire pursuant to Regulation 78 and Mr Zaidel shall retire pursuant to Regulation 96(2) at the forthcoming AGM, and both directors have consented for re-election.

Details of the directors' academic and professional qualifications, interests in the Group, committees served, and directorships are disclosed in the Annual Report to enable shareholders to make informed decisions. Key information regarding the Directors is given in the 'Board of Directors' section of the Annual Report.

Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations are set out in the Directors' Statement.

The independent directors have declared their independence for the FY2016, in accordance with the revised independent guidelines contained in the Code. Following its annual review, the NC has considered the independence status of Mr Zaidel, Ms Seet and Mr Ong Chin Chuan.

During the FY2016, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding that some of the Directors have multiple board representations, 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.

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

Name of directors	Date of appointment of directorship/ principal commitment	Directorships/principal commitments* in other companies	
		Current	Past 3 years
Kushairi Bin Zaidel	06 January 2009	Kuantan Flour Mills Berhad <sup>(1)</sup>	–
Seet Chor Hoon	11 August 2011	Seedz@Play Pte. Ltd.	–
Ong Chin Chuan	16 November 2015	Singer (Malaysia) Sdn Bhd*	Secure Parking Corporation Sdn Bhd
Ong Sing Huat	16 September 2011	Robert Wang & Woo LLP*	–

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

Note:

(1) Listed on Bursa Malaysia

# CORPORATE GOVERNANCE REPORT

## 5. BOARD PERFORMANCE

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

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

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

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

In line with the principles of good corporate governance, the NC had implemented and continued with an annual performance evaluation for assessing the effectiveness of the Board as a whole, by means of performance appraisal that evaluates the Board size, the right balance and mix of skills and experience and other qualities and qualifications, including core competencies, to the Group. The NC will take into consideration the recommendation under the Code to have a separate assessment on 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. Through the BEF, feedback is collated from the Board on various aspects of the Board's performance, including the Board's composition, the contributions of the board members, board's access to information, board processes, strategic review, and performance of CEO and succession planning.

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

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

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

# CORPORATE GOVERNANCE REPORT

## 6. ACCESS TO INFORMATION

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

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

Directors have separate and independent access to the Company's senior management and the company secretary and/or the deputy company secretary. They have full access to the Company's records and information and may seek independent legal and other professional advice, if they deem necessary, in the furtherance of their duties. Such expenses are borne by the Company.

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

## 7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

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

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

- 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 executives based on performance, service seniority, experience and scope of responsibility;

# CORPORATE GOVERNANCE REPORT

## 7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (Continued)

- 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 (the “**Magnus Energy ESOP**”) and the Magnus Energy Performance Share Plan (the “**Magnus Energy PSP**”).

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

The RC may seek independent professional advice if the committee deems it necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

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.

## 8. LEVEL AND MIX OF REMUNERATION

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

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

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

The Company has entered into a service agreement with the CEO on such terms and conditions offered by the Company and it does not contain onerous removal clauses. The appropriate notice period of the service agreement is a 3-months written notice. The Board has reviewed and considered the service agreement to be appropriate prior to the implementation of the service agreement.

# CORPORATE GOVERNANCE REPORT

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

In setting remuneration packages, the RC ensures that the Directors 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. The grants of share awards are vested over a period of time through a prescribed vesting schedule. The Company does not have contractual provisions to allow the Company to reclaim incentive components of remuneration from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Company may consider the said contractual provisions to be included in future renewals of service agreement as recommended by the Code. Save as aforesaid, the Company reserves the rights to employ legal recourse should any Director and/or key management personnel willfully and negligently engage in any misconduct.

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

## 9. DISCLOSURE ON REMUNERATION

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

*A breakdown, showing the level and mix of each individual directors' remuneration for FY2016 is set out below:*

Remuneration band and name of Directors	Salaries	Bonus	Consultancy fees	Director fees	Share award	Other benefits	Total
	%	%	%	%	%	%	%
<b>Directors – Below S\$250,000</b>							
Kushairi Bin Zaidel	0.0	0.0	0.0	98.4	1.6	0.0	100.0
Seet Chor Hoon	0.0	0.0	0.0	98.8	1.2	0.0	100.0
Ong Chin Chuan	0.0	0.0	0.0	100.0	0.0	0.0	100.0
Ong Sing Huat <sup>(1)</sup>	0.0	0.0	0.0	100.0	0.0	0.0	100.0

(1) Mr Ong Sing Huat was appointed as a non-executive non-independent director of the Company, a member of the AC, NC and RC on 2 November 2015.

# CORPORATE GOVERNANCE REPORT

## 9. DISCLOSURE ON REMUNERATION (Continued)

A breakdown, showing the remuneration band of the top executives of the Group for FY2016 set out below:

Remuneration band and name of key executive	Salaries	Bonus	Consultancy fees	Director fees	Share award	Other benefits	Total
	%	%	%	%	%	%	%
<b>S\$250,000 to below S\$500,000</b>							
Luke Ho Khee Yong	65.0	13.3	0.0	14.4	1.7	5.6	100.0
Tay Kheng Hwee	99.9	0.0	0.0	0.0	0.0	0.1	100.0
Ong Eng Kee	0.0	0.0	100.0	0.0	0.0	0.0	100.0
<b>Below S\$250,000</b>							
Maung Thein Htike	86.3	13.7	0.0	0.0	0.0	0.0	100.0
Jason Ong Wie	42.8	–	–	8.6	–	48.6	100.0
Theron Madhavan	100.0	0.0	0.0	0.0	0.0	0.0	100.0
Tan Yew Meng	92.7	7.3	0.0	0.0	0.0	0.0	100.0

Directors and key executives' remuneration packages are a competitive advantage of the Group. Given the sensitivity and confidentiality of such information, 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, consultancy fees, director fees, share awards granted and other benefits. The Company is of the view that such disclosures would provide adequate information on the remuneration policies and practice for Directors and key executives. The aggregate remuneration paid to the directors and key executives as listed above was S\$1,559,857.

There is no amount of any termination retirement and post-employment benefits that may be granted to Directors, and top executives.

The Directors and senior executives are paid based on a fixed schedule of fees and salary respectively.

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

Subject to approval by shareholders at the forthcoming AGM, the RC has recommended that the non-executive directors be paid an aggregate fee of S\$21,330 for FY2016 being additional fees payable to new appointment of a director and for an additional general meeting convened during the financial year, and an estimated fee of S\$131,875 for the financial year ending 30 June 2017, to be paid quarterly arrears, which will be tabled at the AGM for approval by the shareholders.

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



# CORPORATE GOVERNANCE REPORT

## 9. DISCLOSURE ON REMUNERATION (Continued)

Long-term incentive scheme are provided in the form of the Magnus Energy ESOP and the Magnus Energy PSP for eligible employees, including Directors of the Company and the Group. The inaugural non-discounted share options (the “**Options**”) under the Magnus Energy ESOP was granted on 4 December 2007 which had expired on 3 December 2011. None of the Options has been exercised. In FY2015, a total of 2,103,660 share awards (the “**Awards**”) have been granted to all the Directors and employees of the Company in accordance to the Magnus Energy PSP. The Awards were vested in two tranches over a period of two years with the first tranche of 701,220 Awards vested on 8 October 2014 and the second tranche of 1,358,520 Awards (excluding 43,920 cancelled Awards) vested on 8 October 2015. Details of Magnus Energy ESOP grants and Magnus Energy PSP Awards are disclosed in the Share Options and Share Awards section of the Directors’ Statement and the corresponding “Notes to the Financial Statements” section of this Annual Report.

The Magnus Energy ESOP and the Magnus Energy PSP will be expiring on 18 November 2017. The Company will be seeking shareholders’ approval to extend its duration for a further period of ten (10) years from the date of expiry, and to amend certain terms contained therein at an extraordinary general meeting (the “**EGM**”) to be convened and held immediately after the conclusion or adjournment of the Company’s AGM on 31 October 2016.

Save as aforesaid, no further grant or award or option was given to any Directors or employees of the Company. There is no other incentive scheme provided to any Director or employees of the Company that is linked to performance.

## 10. ACCOUNTABILITY

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

The Board is accountable to the shareholders while the Management is accountable to the Board. The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, including requirements under the Catalist Rules.

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

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

Periodic financial statements as well as announcements on business and other significant corporate developments and activities of the Group are made via SGXNET to keep shareholders informed about the Group’s financial position and its progress.

# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

The Board noted that an associate of the Company is under investigation into plausible inappropriate gratification during the financial year ended 30 June 2013. The investigation is ongoing and the Board has not been informed on any results of the investigation.

In the financial year ended 30 June 2014, the Board further noted that the Company and certain of its subsidiaries have received notices on 2 April 2014 and 29 April 2014 from the CAD to provide assistance to the CAD's investigations into an offence under the Securities and Futures Act, Chapter 289. The CAD has 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. The CAD has not provided any further information on their investigations or on the alleged offences. The Board understands that the investigations may be protracted and until such time as the results of the investigation are provided, the CEO who is assisting the investigations shall continue to serve and function in his respective roles in the Company.

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

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

# CORPORATE GOVERNANCE REPORT

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

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

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

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

- (a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) that the Company's risk management and internal control systems in place are adequate in addressing the financial, operational, compliance, information technology controls and risk management throughout the financial year and up to the date of this report.

The Group outsources its internal audit function to external professional firms, as and when the need arises. The external professional firm reports directly to the chairman of AC and administratively to the CEO/FC. The Internal Auditor has unfettered access to all the company's documents, records, properties and personnel, including access to the AC.

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

Where a process oriented internal audit is conducted, the internal auditors will perform its audit and issue a report on the results of the internal audit work summarising their findings and recommendations to the Management and report directly to the chairman of the AC in accordance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The AC oversees and monitors management's response on the implementation to their findings to ensure that appropriate follow-up measures are taken. During FY2016, the internal auditors has carried out a full scope of internal audit on the sales and collections process at Mid-Continent Equipment, Inc ("**MEI**") in Houston, Texas, a subsidiary of the Group, and has issued a report on the results of the internal audit work summarising their findings and recommendations to the Management and report directly to the chairman of the AC. The internal auditors will subsequently follow-up to ensure that the recommended procedures or alternatives measures offered are implemented.

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 to the Code.

# CORPORATE GOVERNANCE REPORT

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

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

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

Two members of the AC have professional and in-depth experiences in the field of financial management and accounting. The Board is of the view that AC members have sufficient accounting and financial management expertise and experience to discharge the AC's responsibilities.

The AC meets at least four times a year. Additional meetings are scheduled if considered necessary by the chairman of the AC. During the financial year, the AC met with the external auditors once, without the presence of the Management.

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

- review the audit plans, scope and feedback of the external auditors of the Company and ensure adequacy of the Group's system of internal accounting controls and the co-operation given by the Management to the external auditors;
- review the quarterly and full year financial statements and the auditor's report on the annual financial statements of the Company and of the Group before submission to the Board, and before announcement;
- review, with the internal auditors, the internal audit plan, the scope and results of the internal audit function, and ensuring co-ordination between the internal auditors and the Management;
- review the auditors' evaluation of the system of internal controls, the results of the audit and Management's response and actions to correct any noted deficiencies, to discuss problems and concerns arising from their audits or any other matters which the auditors might wish to discuss privately with the AC;
- review any formal announcements relating to the Company's financial performance in addition to the quarterly and full year financial statements compliance;
- review the assistance given by the Group's officer to the auditors and discuss any concerns if any with the external auditors and the internal auditors in the absence of Management;
- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- review and report to the Board the adequacy and effectiveness of the Group's internal controls on an annual basis, including financial, operational, information technology controls, compliance, and risk management;
- review the independence and objectivity of the external auditors annually and recommend the external auditors to be nominated for re-appointment, or removal of the external auditor, and approve the compensation of the external auditors; and
- review interested person transactions.

# CORPORATE GOVERNANCE REPORT

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

Apart from the duties listed above, the AC also has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

The AC has full access to, and the co-operation of, Management and has full discretion to invite any director or officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions properly.

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

The AC has noted that there was no non-audit service provided by the external auditors during the year under review, and is of the opinion that the external auditors' independence has not been compromised. The total amount of audit fees paid to the external auditors during the year under review was approximately S\$0.25 million.

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

Below is significant subsidiary that has appointed other firms as auditors:

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

The AC has reviewed and is satisfied that the appointments of different auditors would not compromise the standard and effectiveness of the audit of the Company as measures have been put in place to ensure that timely and periodic reports of the operations and financial statements of the above subsidiary is provided to the Company and/or the Company's auditors. The Company's auditors are also at liberty to seek information from the other auditors as and when necessary and from time to time. The Company confirms that Rule 712, Rule 715 and Rule 716 of the Catalist Rules have been complied with.

The AC has reviewed all interested person transactions during the FY2016 and is of the view that Chapter 9 of the Catalist Rules and the shareholders' mandate have been complied with. AC members have been 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. Half of AC members are qualified accountants. As certified public accountants in their respective jurisdiction, the AC members would have received update by their respective association and professional affiliations.

# CORPORATE GOVERNANCE REPORT

## 12. COMMUNICATION WITH SHAREHOLDERS & SHAREHOLDER PARTICIPATION

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

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

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

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

The Board adopts the practice of regular communication of information to shareholders through SGXNET and press releases. All announcements and annual reports of the Company are available on the Company's website at [www.magnusenergy.com.sg](http://www.magnusenergy.com.sg). Shareholders may also send their queries to the Company via the Company's website.

The Company sends the annual report and notice of AGM to all shareholders of the Company within the mandatory period. Notices of general meetings are released on SGXNET and published in a Singapore newspaper to inform shareholders of upcoming meetings. The AGM is the principal forum for dialogue with shareholders. At the AGM, shareholders are given the opportunity to opine their views and query the directors or the Management on matters regarding the Company. Chairman of the NC, RC and AC will be present to answer any questions relating to the work of their respective committees. The external auditors are also present to assist the Directors in addressing any relevant queries on the accounts from the shareholders.

The Company encourages shareholders' participation at its general meetings. 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 ("**CPF Investors**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable), and custodian banks, they are now able to attend and vote at general meetings under the multiple proxy regime. The Company has not amended its Constitution to provide for other methods of voting in absentia due to security and integrity concerns. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised. The Company will amend its Constitution at the EGM to be convened and held immediately after the conclusion or adjournment of the Company's AGM on 31 October 2016 to incorporate certain pertinent amendments to the Act and the Catalist Rules.

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.

# CORPORATE GOVERNANCE REPORT

## 12. COMMUNICATION WITH SHAREHOLDERS & SHAREHOLDER PARTICIPATION (Continued)

At the AGMs and other general meetings, separate resolutions are proposed for substantially separate issues and for items of special business. Where appropriate, an explanation for any proposed resolution would be provided. The Company prepares minutes of general meetings that include substantial and relevant comments and/or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management. These minutes will be available to shareholders upon their request.

The Company is not in an accumulated profit position to declare any dividend. The Company has not recommended any dividend payment thus far.

## 13. OTHER CORPORATE GOVERNANCE MATTERS

### INTERESTED PERSONS TRANSACTIONS (Catalist Rule 907)

The Company has in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested persons transactions are subject to review by the AC. During FY2016, there was no interested person transaction exceeding S\$100,000 as set out in Chapter 9 of the Catalist Rules.

### MATERIAL CONTRACTS (Catalist Rule 1204(8))

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

### RISK MANAGEMENT (Catalist Rule 1204(10))

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

### DEALING IN SECURITIES (Catalist Rule 1204(19))

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

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

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

# CORPORATE GOVERNANCE REPORT

## 13. OTHER CORPORATE GOVERNANCE MATTERS (Continued)

### CATALIST SPONSOR (Catalist Rule 1204(21))

The Company is currently under the SGX-ST Catalist sponsor-supervision regime and Stamford Corporate Services Pte. Ltd. is the continuing sponsor of the Company during FY2016. There is no non-sponsor fees paid during FY2016.

### USE OF PROCEEDS (Catalist Rule 1204(22))

The Company had on 30 June 2016 issued an aggregate amount of S\$21,500,000 of the Tranches 1, 2 and 3 Notes pursuant to a subscription agreement dated 3 September 2014 with Premier Equity Fund and Value Capital Asset Management Private Limited which was approved by shareholders at an extraordinary general meeting on 29 October 2014. As stated in the circular dated 13 October 2014 (the "**Circular**"), S\$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 comprising two initial tranches of a principal amount of S\$10,000,000 each (Tranches 1 and 2) and a final tranche of a principal amount of S\$15,000,000 (Tranche 3) was intended to be utilised in the following manner:

(i)	General working capital	10-20%
(ii)	Investments and acquisitions	80-90%

Use of proceeds in accordance with the intended use stated in Circular as at date of report:

Notes Issue	S\$'000	Utilisation of Proceeds as at 6 October 2016	S\$'000
Convertible Notes	35,000	<i>Investments and general corporate purposes</i>	
Notes Issued	(22,500)	Increase in stake in Midcon <sup>(1)</sup>	393
Notes Unissued	12,500	Amount disbursed in relation to the Redeemable Convertible Loan of up to S\$5,000,000 <sup>(2)</sup>	5,000
		Physical trading of renewable energy and natural resource <sup>(3)</sup>	2,407
		Deposit paid for investment in quoted equities <sup>(4)</sup>	1,408
		Investment in infrastructure development <sup>(5)</sup>	1,900
		Acquisition of subsidiary <sup>(6)</sup>	1,000
		Investment in dam project in West Java Indonesia <sup>(7)</sup>	1,000
		Deed of assignment <sup>(8)</sup>	1,009
		Microalgae oil cultivation facility in Malaysia <sup>(9)</sup>	3,100
		Fixed income investment	200
		<i>General working capital</i>	
		Repayment of convertible loan	798
		General working capital	3,065
			<u>21,280</u>



# CORPORATE GOVERNANCE REPORT

## 13. OTHER CORPORATE GOVERNANCE MATTERS (Continued)

### USE OF PROCEEDS (Catalist Rule 1204(22)) (Continued)

- (1) Please refer to the announcement "Completion of Acquisition in Mid-Continent Equipment Group Pte. Ltd." dated 26 January 2015 for further information.
- (2) Please refer to the announcement "Redeemable Convertible Loan of up to S\$5,000,000" dated 22 May 2015 for further information.
- (3) This include trading of crude palm oil, coal and raw materials for construction of infrastructure.
- (4) Please refer to the announcement "Joint Investment with Yangtze Investment Partners Limited" dated 20 August 2015, 9 November 2015, 19 February 2016 and 14 June 2016 for further information.
- (5) Please refer to the announcement "Road Project in Central Java Indonesia" dated 16 November 2015 and "Road Project in West and Central Java Indonesia" dated 1 February 2016 for further information.
- (6) Please refer to the announcement "Completion of subscription of 2,700,000 shares in Flagship Ecosystems Pte. Ltd." dated 1 December 2015 for further information.
- (7) Please refer to the announcement "Dam Project in West Java Indonesia" dated 23 March 2016 for further information.
- (8) Please refer to the announcement "MEG Global Ventures Pte Ltd entering into a Deed of Assignment with Revenue Anchor Sdn Bhd" dated 28 April 2016.
- (9) Please refer to the announcement "Microalgae oil cultivation facility in Malaysia" dated 22 June 2016.

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

The rule is deemed as not applicable as there have been no exploration, development or production activities carried out for the Coal Concession for FY2016. As the Group is still undergoing litigation on the ownership of our indirect subsidiary PT BSS that holds the Coal Concession Rights, all exploration and mining activities have been suspended and no production or revenue has been generated for FY2016.

20% beneficial interest of PRL173 and PRL174 ((collectively known as "**PRLs**") and formerly known as PEL 101) is held under Mid-Con Equipment (Australia) Pty Ltd, a wholly owned subsidiary of Mid-con. The Company or its subsidiaries do not have majority control of this concession. The Company owns an effective interest of 11.2% (2015: 11.2%) on the PRLs. No production or revenue has been generated for FY2016.

The Company, through its wholly owned subsidiary MEG Global Ventures Pte. Ltd., holds a 15% equity stake in GCM Resources plc ("**GCM**"). GCM, a London AIM listed resource exploration and development company, has identified a coal resource of 572 million tonnes (JORC 2004 compliant) at the Phulbari Coal Project in North-West Bangladesh. GCM is awaiting approval from the Government of Bangladesh to develop the mine. As such no production or revenue has been generated for FY2016.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

The directors present their statement to the members together with the audited consolidated financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2016 and the statement of financial position of the Company as at 30 June 2016.

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

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group for the year then ended; and
- (b) as at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 1 Directors

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

Kushairi Bin Zaidel  
Seet Chor Hoon  
Ong Chin Chuan  
Ong Sing Huat (Appointed on 2 November 2015)

## 2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

## 3 Directors' Interests in Shares or Debentures

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

Name of directors	Holdings registered in name of director		
	As at 1.7.2015	As at 30.6.2016	As at 21.7.2016
	<b>Number of ordinary shares</b>		
<b>The Company</b>			
Kushairi Bin Zaidel	51,140	153,420	153,420
Seet Chor Hoon	37,500	112,500	112,500

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

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4 Share Options and Share Awards

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

Magnus Energy ESOP and Magnus Energy PSP (collectively referred to as the "Share Schemes") were approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") held on 19 November 2007.

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

The Share Schemes shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Share Schemes were adopted by the Company in the EGM held. 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 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 2016 and 2015. As at 30 June 2016 and 2015, there were no outstanding share options. There were also no discounted share options granted since the commencement of the scheme.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4 Share Options and Share Awards (Continued)

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

### Share Awards

There were no share awards granted under the Magnus Energy PSP during the current financial year ended 30 June 2016.

During the previous financial year ended 30 June 2015, share awards were granted to the non-executive directors of the Company and certain Group executives under the Magnus Energy PSP. These share awards granted to eligible participants fully paid ordinary shares of the Company upon the expiry of the prescribed vesting periods. The Committee has granted the share awards after taking into consideration of the loyalty and long term commitment of the non-executive directors of the Company and the Group executives. Further details are disclosed in Note 37(a) to the financial statements.

Pursuant to clause 851(1) of the Catalist Rules of the SGX-ST, 5 participants received 5% or more of the total number of share awards granted under the Magnus Energy PSP were as follows:

<u>Name of participant</u>	<u>Share awards granted during the financial year</u>	<u>Aggregate share awards granted since commencement of scheme to 30.6.2016*</u>	<u>Aggregate share awards vested since commencement of scheme to 30.6.2016**</u>	<u>Aggregate share awards lapsed/ cancelled since commencement of scheme to 30.6.2016</u>	<u>Aggregate share awards outstanding as at 30.6.2016</u>
<i>Non-executive directors</i>					
Goh Boon Kok (resigned during the year)	–	10,401,000	3,605,680	–	–
Kushairi Bin Zaidel	–	7,671,000	2,659,280	–	–
Seet Chor Hoon	–	5,625,000	1,950,000	–	–
<i>Group executives</i>					
Luke Ho Khee Yong	–	63,360,000	21,964,800	–	–
Angeline Chow Yin Nei	–	12,960,000	4,492,800	–	–
	–	100,017,000	34,672,560	–	–

\* before share consolidation.

\*\* included the effect of share consolidation as disclosed in Note 37(a) to the financial statements.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 4 Share Options and Share Awards (Continued)

### (b) APAC Coal Employee Share Option Plan

A subsidiary of the Group, APAC Coal Limited ("APAC"), adopted the APAC Coal Employee Share Option Plan ("APAC ESOP") in October 2007. Further details are disclosed in Note 37(b) to the financial statements.

There were no share options granted since the commencement of the APAC ESOP.

Except as disclosed in this statement:

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

## 5 Audit Committee

The members of the Audit Committee are:

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

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

- reviewed the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management;
- reviewed the audit plan of the Company's independent auditors and, if any, their report on the weaknesses of internal accounting control arising from their statutory audit;
- reviewed the assistance provided by the Group's officers to the independent auditors;
- reviewed interested party transactions for the financial year ended 30 June 2016 in accordance with Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist to satisfy themselves that the transactions are of normal commercial terms;
- reviewed the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2016 before their submission to the Board of Directors and the independent auditors' report on those financial statements;

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

## 5 Audit Committee (Continued)

- (f) recommends to the Board of Directors the independent auditors to be nominated and approval of the compensation of the auditors and reviewed the scope of the audit; and
- (g) undertakes such other functions and duties as may be required by statute.

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

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

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

## 6 Independent Auditors

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

## 7 Other information required by the SGX-ST

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

On behalf of the Board of Directors,

KUSHAIRI BIN ZAIDEL  
Director

ONG CHIN CHUAN  
Director

Singapore  
7 October 2016

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD.

## Report on the Financial Statements

1. We have audited the accompanying financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (collectively the "Group") as set out on pages 47 to 145, which comprise the statement of financial positions of the Group and of the Company as at 30 June 2016, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

2. Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards 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.

### *Auditors' Responsibility*

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### *Basis for Qualified Opinion*

6. Our auditors' report dated 30 September 2015 on the financial statements for the previous financial year ended 30 June 2015 contained a modified opinion on the matters as set out below. An update of the matters is as follows:
  7. (i) We were not able to satisfy ourselves as to the validity and appropriateness of the carrying amount of the Group's investment in the Coal Concession Rights of approximately S\$21.8 million and the related deferred tax liability of approximately S\$6.3 million as at 30 June 2015 because the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT Batubara Selaras Sapta ("PT BSS"), which holds the Coal Concession Rights, was uncertain.

# INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD.

## *Basis for Qualified Opinion (Continued)*

- (ii) We were not able to satisfy ourselves as to the recoverability of the Company's investment in, and the amount due from APAC Coal Limited ("APAC"), the holding company of PT BSS, of approximately S\$492,000 and S\$1,054,000, respectively as at 30 June 2015 as the ability of the Company to realise its investment in, and the amount due from APAC, is largely dependent on the successful outcome of the legal proceedings as referred to in paragraph (i) above.
  - (iii) As at 30 June 2016, the Group's investment in the Coal Concession Rights, and the Company's investment in, and the amount due from APAC, have been classified as assets held for sale, for the reasons as explained in Note 20 to the financial statements. Consequently, an impairment loss of approximately S\$15.0 million was recognised for the Group's investment in the Coal Concession Rights in the Group's profit or loss for the current year. The impairment loss is net of the related deferred tax credit of approximately S\$6.1 million.
8. In view of the previous year's qualifications on the matters as described in paragraph 7 above, any adjustments to the opening balances of the Group's investment in the Coal Concession Rights and the related tax liability would have consequential effects on the impairment loss of approximately S\$15.0 million recognised for the Group's investment in the Coal Concession Rights in the Group's profit or loss for the current year. Our opinion on the current year's financial statements is also modified because of the possible effects of these matters on the comparability of the current year's figures and the corresponding figures.

## *Qualified Opinion*

9. In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraphs 6 to 8, the consolidated financial statements of the Group and the statement of financial position of the Company, are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2016 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date.

## **Reports on Other Legal and Regulatory Requirements**

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

## **Moore Stephens LLP**

Public Accountants and  
Chartered Accountants

Singapore

7 October 2016



# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 S\$	(Restated) 2015 S\$
<b>Continuing operations</b>			
<b>Revenue</b>	4	<b>21,555,686</b>	44,501,845
Cost of sales		<b>(17,334,877)</b>	(35,649,984)
<b>Gross profit</b>		<b>4,220,809</b>	8,851,861
Other operating income	5	<b>791,477</b>	872,541
Other operating expenses	5	<b>(8,634,707)</b>	(2,883,753)
Distribution and selling expenses	6	<b>(187,139)</b>	(112,005)
Administrative expenses	7	<b>(8,067,235)</b>	(8,796,629)
Finance income	9	<b>728,259</b>	264,342
Finance costs	10	<b>(131,005)</b>	(133,418)
Share of profit from joint ventures entities	16	<b>121,611</b>	227,467
<b>Loss before income tax</b>		<b>(11,157,930)</b>	(1,709,594)
Income tax	11	<b>251</b>	(393,626)
<b>Loss for the year from continuing operations</b>		<b>(11,157,679)</b>	(2,103,220)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	20(b)	<b>(15,281,921)</b>	(161,706)
<b>Net loss for the year</b>		<b>(26,439,600)</b>	(2,264,926)
<b>Other comprehensive (loss)/income, net of tax:</b>			
<i>Items that may be classified subsequently to profit or loss:</i>			
Exchange differences on translation of foreign operations		<b>(1,226,894)</b>	(606,632)
Fair value gain/(loss) recognised in equity on revaluation of available-for-sale financial assets during the year		<b>16,261</b>	(1,904,064)
Impairment loss of available-for-sale financial assets reclassified to profit or loss		-	984,755
Deferred tax on fair value changes to available-for-sale financial assets		<b>(2,764)</b>	(7,276)
		<b>(1,213,397)</b>	(1,533,217)
<b>Total comprehensive loss for the year</b>		<b>(27,652,997)</b>	(3,798,143)
<b>Net (loss)/profit for the year attributable to:</b>			
Equity holders of the Company		<b>(16,528,677)</b>	(2,662,443)
Non-controlling interests		<b>(9,910,923)</b>	397,517
		<b>(26,439,600)</b>	(2,264,926)
<b>Total comprehensive (loss)/income for the year attributable to:</b>			
Equity holders of the Company		<b>(16,777,747)</b>	(3,959,868)
Non-controlling interests		<b>(10,875,250)</b>	161,725
		<b>(27,652,997)</b>	(3,798,143)
<b>Loss per share attributable to the equity holders of the Company (S\$ cents)</b>			
- Basic and diluted for continuing and discontinued operations	12	<b>(1.46)</b>	(4.93)
- Basic and diluted for continuing operations	12	<b>(0.71)</b>	(4.86)

The accompanying notes form an integral part of the financial statements

## STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2016

	Note	Group		Company	
		2016 S\$	2015 S\$	2016 S\$	2015 S\$
<b>ASSETS</b>					
<b>Non-Current Assets</b>					
Property, plant and equipment	13	5,690,109	5,415,252	345,842	37,541
Investments in subsidiaries	14	–	–	14,363,886	14,855,546
Investments in associated companies	15	–	1,840	–	–
Investments in joint venture entities	16	859,197	775,636	–	–
Goodwill	17	1,569,703	1,569,703	–	–
Other intangible assets	18	4,381,220	26,474,682	–	–
Other financial assets	19	5,940,429	2,787,291	100	1,489
Other receivables	22	5,000,000	1,500,000	5,000,000	–
Deferred tax assets	11	208,187	165,721	–	–
<b>Total Non-Current Assets</b>		<b>23,648,845</b>	<b>38,690,125</b>	<b>19,709,828</b>	<b>14,894,576</b>
<b>Current Assets</b>					
Other financial assets	19	1,900,000	–	–	–
Inventories	21	4,100,949	6,533,675	–	–
Trade and other receivables	22	9,336,046	6,897,063	389,569	330,216
Related parties balances	23	293,410	274,606	13,279,807	5,915,364
Cash and bank deposits	24	5,722,517	10,094,135	632,170	2,219,569
Fixed deposits and other investments	25	10,990,437	14,592,148	503,598	300,000
		<b>32,343,359</b>	<b>38,391,627</b>	<b>14,805,144</b>	<b>8,765,149</b>
Assets directly related to disposal group classified as held for sale	20	1	–	1,796,760	–
<b>Total Current Assets</b>		<b>32,343,360</b>	<b>38,391,627</b>	<b>16,601,904</b>	<b>8,765,149</b>
<b>Total Assets</b>		<b>55,992,205</b>	<b>77,081,752</b>	<b>36,311,732</b>	<b>23,659,725</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current Liabilities</b>					
Trade and other payables	26	3,207,740	5,830,650	397,228	274,547
Bank overdrafts	27	–	676,761	–	–
Related parties balances	23	–	989	–	2,021,113
Borrowings	28	4,750,000	300,000	4,750,000	300,000
Finance lease obligations	29	9,076	9,085	–	–
Income tax liabilities		21,338	465,314	–	–
		<b>7,988,154</b>	<b>7,282,799</b>	<b>5,147,228</b>	<b>2,595,660</b>
Liabilities directly related to disposal group classified as held for sale	20	–	–	1,758,574	–
<b>Total Current Liabilities</b>		<b>7,988,154</b>	<b>7,282,799</b>	<b>6,905,802</b>	<b>2,595,660</b>
<b>Non-Current Liabilities</b>					
Finance lease obligations	29	13,727	22,826	–	–
Deferred tax liabilities	11	1,759	6,378,738	–	–
<b>Total Non-Current Liabilities</b>		<b>15,486</b>	<b>6,401,564</b>	<b>–</b>	<b>–</b>
<b>Total Liabilities</b>		<b>8,003,640</b>	<b>13,684,363</b>	<b>6,905,802</b>	<b>2,595,660</b>
<b>Equity</b>					
Share capital	30	140,957,335	128,278,354	140,957,335	128,278,354
Reserves	31	(107,375,009)	(90,597,262)	(111,551,405)	(107,214,289)
		<b>33,582,326</b>	<b>37,681,092</b>	<b>29,405,930</b>	<b>21,064,065</b>
Non-controlling interests		14,406,239	25,716,297	–	–
<b>Total Equity</b>		<b>47,988,565</b>	<b>63,397,389</b>	<b>29,405,930</b>	<b>21,064,065</b>
<b>Total Liabilities and Equity</b>		<b>55,992,205</b>	<b>77,081,752</b>	<b>36,311,732</b>	<b>23,659,725</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Attributable to equity holders of the Company			Total S\$	Non-controlling Interests S\$	Total Equity S\$
	Share Capital S\$	Translation Reserve S\$	Accumulated Losses S\$			
<b>Group 2016</b>						
<b>Balance at 1 July 2015</b>	128,278,354	(8,005,215)	(82,592,047)	37,681,092	25,716,297	63,397,389
Net loss for the year	–	–	(16,528,677)	(16,528,677)	(9,910,923)	(26,439,600)
Other comprehensive loss (Note 31)	–	(249,070)	–	(249,070)	(964,327)	(1,213,397)
Total comprehensive loss for the year	–	(249,070)	(16,528,677)	(16,777,747)	(10,875,250)	(27,652,997)
Issue of new shares (Note 30)	13,059,781	–	–	13,059,781	–	13,059,781
Share issue expenses	(380,800)	–	–	(380,800)	–	(380,800)
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	(434,808)	(434,808)
<b>Balance at 30 June 2016</b>	<b>140,957,335</b>	<b>(8,254,285)</b>	<b>(99,120,724)</b>	<b>33,582,326</b>	<b>14,406,239</b>	<b>47,988,565</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

(Continued)

	Attributable to equity holders of the Company				Total	Non- controlling Interests	Total Equity
	Share Capital S\$	Fair Value Reserve S\$	Translation Reserve S\$	Accumulated Losses S\$			
<b>Group</b>							
<b>2015</b>							
<b>Balance at 1 July 2014</b>	120,126,816	962,107	(7,669,897)	(80,110,506)	33,308,520	26,712,292	60,020,812
Net (loss)/profit for the year	–	–	–	(2,662,443)	(2,662,443)	397,517	(2,264,926)
Other comprehensive loss (Note 31)	–	(962,107)	(335,318)	–	(1,297,425)	(235,792)	(1,533,217)
Total comprehensive (loss)/income for the year	–	(962,107)	(335,318)	(2,662,443)	(3,959,868)	161,725	(3,798,143)
Issue of new shares (Note 30)	8,500,593	–	–	–	8,500,593	–	8,500,593
Share issue expenses	(349,055)	–	–	–	(349,055)	–	(349,055)
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	–	(583,564)	(583,564)
Acquisition of additional interest in a subsidiary (Note 14(g)(i))	–	–	–	180,902	180,902	(574,156)	(393,254)
<b>Balance at 30 June 2015</b>	<b>128,278,354</b>	<b>–</b>	<b>(8,005,215)</b>	<b>(82,592,047)</b>	<b>37,681,092</b>	<b>25,716,297</b>	<b>63,397,389</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

	Note	2016 S\$	2015 S\$
<b>Cash Flows from Operating Activities</b>			
Loss for the year from continuing operations		<b>(11,157,930)</b>	(1,709,594)
Loss for the year from discontinued operations		<b>(15,281,921)</b>	(161,706)
		<b>(26,439,851)</b>	(1,871,300)
Adjustments:			
Allowance for impairment loss on trade receivables, net of reversal		<b>108,614</b>	81,122
Allowance for impairment loss on non-trade receivables		<b>9,541</b>	–
Depreciation of property, plant and equipment		<b>313,314</b>	402,494
Plant and equipment written-off		<b>2,305</b>	6,979
Allowance for inventory obsolescence	21	<b>2,003,880</b>	1,215
Impairment loss on available-for-sale financial assets	19	<b>2,268,859</b>	985,475
Impairment loss on plant and equipment	13	<b>462,316</b>	–
Impairment of goodwill	17	<b>297,030</b>	–
Exploration expenditure expensed off	18	<b>3,133,972</b>	–
Fair value loss on assets held for sale, net of tax		<b>14,988,389</b>	–
Fair value loss of financial assets held for trading		–	4,675
Fair value gain transferred from fair value reserve upon disposal of available-for-sale financial assets		–	(42,798)
Loss on disposal of available-for-sale financial assets		–	8,070
Loss on disposal of financial assets held for trading		<b>1,168</b>	–
Gain on disposal of plant and equipment	5	<b>(145,667)</b>	(209,946)
Bargain purchase gain from acquisition of a subsidiary	14(g)(ii)	–	(508,764)
Foreign exchange (gain)/loss – unrealised		<b>(56,537)</b>	1,320,892
Employee share award expenses	8	<b>9,781</b>	350,610
Interest expense		<b>74,544</b>	53,228
Interest income		<b>(728,312)</b>	(264,361)
Share of profit from joint ventures entities	16	<b>(121,611)</b>	(227,467)
<b>Operating cash flow before working capital changes</b>		<b>(3,818,265)</b>	90,124
Changes in operating assets and liabilities:			
Inventories		<b>509,812</b>	1,449,960
Trade and other receivables		<b>3,494,119</b>	1,620,171
Trade and other payables		<b>(3,579,929)</b>	(2,255,677)
Related parties balances (net)		<b>(41,220)</b>	(590,735)
<b>Cash flows (used in)/generated from operations</b>		<b>(3,435,483)</b>	313,843
Interest income received		<b>578,651</b>	178,554
Interest paid		<b>(74,544)</b>	(46,031)
Income taxes paid		<b>(490,621)</b>	(710,181)
<b>Net cash flows used in operating activities</b>		<b>(3,421,997)</b>	(263,815)

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2016

(Continued)

	Note	2016 S\$	2015 S\$
<b>Cash Flows from Investing Activities</b>			
Acquisition of subsidiaries/additional interest in subsidiary, net of cash acquired	14	(982,285)	1,601,062
Purchase of plant and equipment	13	(431,350)	(127,526)
Proceeds from disposal of plant and equipment		387,686	407,914
Investment in redeemable convertible loan	22	(3,500,000)	(1,500,000)
Net proceeds from sale of other financial assets		–	52,393
Payment of petroleum exploration expenditure	18	(2,966,707)	(999,057)
Dividend received from joint venture entities	16	–	2,677,236
Investment in Joint Investment	19	(1,407,500)	–
Prepayment for construction of Plant	22	(3,025,167)	–
Investment in Indonesia Projects	19	(5,900,000)	–
Investment in Assigned Debt	22	(1,008,840)	–
Investment in fixed income investment	25	(200,000)	–
Fixed deposits pledged to banks		16,944	(476,058)
<b>Net cash flows (used in)/generated from investing activities</b>		<b>(19,017,219)</b>	<b>1,635,964</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of convertible notes	28	17,500,000	7,500,000
Share issue expenses	30	(380,800)	(349,055)
Acquisition of additional interest in subsidiary	14	–	(393,254)
Repayment of finance lease obligations		(8,800)	(13,041)
Dividend paid by a subsidiary to non-controlling shareholders		(434,808)	(583,564)
<b>Net cash flows generated from financing activities</b>		<b>16,675,592</b>	<b>6,161,086</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,763,624)</b>	<b>7,533,235</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>18,638,075</b>	<b>10,901,138</b>
Effects of foreign exchange rates changes on cash and cash equivalents		(1,753,486)	203,702
<b>Cash and cash equivalents at the end of the year (Note A)</b>		<b>11,120,965</b>	<b>18,638,075</b>

Note A

Cash and cash equivalents

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

	Note	2016 S\$	2015 S\$
Cash and bank balances	24	5,722,517	10,094,135
Less: Bank overdrafts, secured	27	–	(676,761)
		5,722,517	9,417,374
Add: Fixed deposits (unrestricted)	25	5,398,448	9,220,701
<b>Cash and cash equivalents</b>		<b>11,120,965</b>	<b>18,638,075</b>

The accompanying notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

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

## 1 Corporate Information

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

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

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

## 2 Summary of Significant Accounting Policies

### (a) Basis of Preparation

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

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

#### Adoption of New/Revised FRS

For the financial year ended 30 June 2016, there were no new or revised standards which are effective and mandatory for application for the year, and relevant to the Group.

#### New/Revised FRS which are not yet effective

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

		<b>Effective for accounting periods beginning on or after</b>
Amendments to FRS 1	<i>Presentation of Financial Statements: Disclosure Initiative</i>	1 January 2016
FRS 27 (Amendment)	<i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 7	<i>Statement of Cash Flows</i>	1 January 2017
Amendments to FRS 12	<i>Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
FRS 115	<i>Revenue from Contracts with Customers</i>	1 January 2018
FRS 109	<i>Financial Instruments</i>	1 January 2018
FRS 116	<i>Leases</i>	1 January 2019

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (a) Basis of Preparation (Continued)

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

##### Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*

The amendments provide clarification on various aspects of financial statements presentation. Key clarifications relate to the interpretation of materiality requirements in FRS, extent of aggregation and disaggregation of financial information presented in the primary financial statements, presentation of sub-totals, and ordering of notes to the financial statements. The amendments also clarify that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will be subsequently be reclassified to profit or loss.

As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group on adoption.

##### FRS 27 (Amendment) *Equity Method in Separate Financial Statements*

The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entity's separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39), which currently exists and will continue to be available.

The Company is in the process of assessing the impact on the financial statements.

##### Amendments to FRS 7 *Statement of Cash Flows*

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

- a) changes from financing cash flows;
- b) changes arising from obtaining or losing control of subsidiaries or other businesses;
- c) the effect of changes in foreign exchange rates;
- d) change in fair values; and
- e) other changes

The above disclosure also applies to changes in financial assets if cash flows from those financial assets are included in cash flows from financing activities. Comparative information for earlier periods is not required.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (a) Basis of Preparation (Continued)

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

#### Amendments to FRS 7 *Statement of Cash Flows (Continued)*

As this is a disclosure standard, it will not have any impact on the financial performance or financial position of the Group on adoption.

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

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

- 1) Deductible temporary differences will result from unrealised losses on debt investments measured at fair value in financial statements, but measured at cost for tax purposes. This is regardless of how the entity intends to realise the investment.
- 2) Estimates of future taxable profits used to assess recoverability of deferred tax assets resulting from deductible temporary differences:
  - a. includes profits on the recovery of assets for more than their carrying amount if such recovery is probable;
  - b. includes only income types against which those temporary differences qualify to be deducted under tax legislation; and
  - c. excludes tax deductions resulting from the reversal of those temporary differences.

The Group is in the process of assessing the impact on the financial statements.

#### FRS 115 *Revenue from Contracts with Customers*

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

The Group is in the process of assessing the impact on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (a) Basis of Preparation (Continued)

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

##### FRS 109 *Financial Instruments*

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

The Group is in the process of assessing the impact on the financial statements.

##### FRS 116 *Leases*

FRS 116 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*; and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 requires lessees to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

The Group is in the process of assessing the impact on the financial statements.

### (b) Group Accounting

#### (i) Subsidiaries

##### Consolidation

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (b) Group Accounting (Continued)

#### (i) Subsidiaries (Continued)

##### Consolidation (Continued)

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual agreements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Acquisition-related costs are expensed as incurred.

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (b) Group Accounting (Continued)

#### (i) Subsidiaries (Continued)

##### Consolidation (Continued)

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

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

##### Change in ownership interests in subsidiaries without change of control

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

##### Disposal of subsidiaries

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

#### (ii) Associates and Joint Ventures

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (b) Group Accounting (Continued)

#### (ii) Associates and Joint Ventures (Continued)

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (c) Foreign Currencies

#### Functional and presentation currency

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

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

#### Transactions and balances

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

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

#### Translation of Group entities’ financial statements

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

- assets and liabilities are translated at the closing exchange rates at the date of that statement of financial position;
- income and expenses for each statement presenting profit or loss and other comprehensive income (i.e. including comparatives) are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (c) Foreign Currencies (Continued)

#### *Translation of Group entities' financial statements (Continued)*

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

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

### (d) Revenue Recognition

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

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

#### *Sale of goods*

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

#### *Revenue from maintenance services*

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

#### *Revenue from rental of equipment*

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

#### *Interest income*

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (d) Revenue Recognition (Continued)

#### Dividend income

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

### (e) Employee Benefits

#### (i) Defined contribution plans

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

#### (ii) Employee leave entitlements

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

### (f) Property, Plant and Equipment

#### Measurement

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

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

#### Depreciation

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



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (f) Property, Plant and Equipment (Continued)

#### Depreciation (Continued)

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

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

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

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

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

#### Subsequent expenditure

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

#### Disposal

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

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

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

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

### (h) Goodwill on Consolidation

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

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

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

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

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

### (i) Intangible Assets

#### Exploration, evaluation and development expenditure

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (i) Intangible Assets (Continued)

#### *Exploration, evaluation and development expenditure (Continued)*

- at least one of the following conditions is also met:
  - (i) the exploration and evaluation expenditures are expected to be recouped through successful development and exploration of the area of interest, or alternatively, by its sale; or
  - (ii) exploration and evaluation activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

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

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

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.

#### Coal concession rights

Coal concession rights are stated at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the coal concession rights over the license period of 30 years, commencing from the date that mining operations commence.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (k) Financial Assets

#### Classification

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

- Financial assets, at fair value through profit or loss

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

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

- Loans and receivables

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

- Available-for-sale financial assets

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (k) Financial Assets (Continued)

#### Recognition and derecognition

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

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

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

#### Initial measurement

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

#### Subsequent measurement

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (k) Financial Assets (Continued)

#### *Subsequent measurement (Continued)*

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

#### *Impairment*

- Loans and receivables

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

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

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

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

- Available-for-sale financial assets

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (k) Financial Assets (Continued)

#### Impairment (Continued)

- Available-for-sale financial assets (Continued)

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

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

### (l) Cash and Cash Equivalents

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

### (m) Inventories

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

#### Finished goods

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

#### Work in progress

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

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



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (n) Financial Liabilities

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

#### Trade and other payables

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

#### Borrowings

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

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

#### Derecognition of financial liabilities

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

### (o) Borrowing Costs

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

### (p) Share Capital

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

### (q) Dividends to Company's Shareholders

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (r) Share-based Payments

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

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

### (s) Compound Instruments (Convertible Notes)

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

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

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

### (t) Leases

#### Lessee – Finance leases

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (t) Leases (Continued)

#### Lessee – Operating leases

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

#### Lessor – Operating leases

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

### (u) Income Tax

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

#### Current tax

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

#### Deferred tax

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (u) Income Tax (Continued)

#### *Deferred tax (Continued)*

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

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

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

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

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

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

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

#### *Current and deferred tax for the year*

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 2 Summary of Significant Accounting Policies (Continued)

### (v) Segment Reporting

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

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

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

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

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

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

- (i) represents a separate major line of business or geographical area of operations; or
- (ii) is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- (iii) is a subsidiary acquired exclusively with a view to resale.

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

## 3 Critical Accounting Estimates and Judgements

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 3 Critical Accounting Estimates and Judgements (Continued)

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

### Key sources of estimation uncertainty

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

#### (a) Impairment of non-financial assets and goodwill

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

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

#### (b) Allowance for inventories

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

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

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 3 Critical Accounting Estimates and Judgements (Continued)

### Critical judgements in applying accounting policies

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

(a) Exploration and evaluation expenditure

The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. While there are certain areas of interest from which no reserves have been extracted, the management is of the continued belief that such expenditure should not be written off since feasibility studies in such areas have not yet been concluded and there are no facts of circumstances that suggest the carrying amounts of the exploration and evaluation assets recognised exceed their recoverable amount. The recoverability of the exploration asset is dependent upon the continued exploration of each area of interest. Further details are disclosed in Note 18.

(b) Impairment of available-for-sale financial assets

Management reviews the available-for-sale financial assets for objective evidence of impairment as at each reporting date and recognises an impairment when such evidence exists. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the equity securities below its cost is considered as an indicator that the equity securities are impaired. The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, management evaluates, among other factors, the duration and extent to which the fair value of the equity securities is less than its cost.

For the financial year ended 30 June 2016, the Group recognised impairment losses amounting to S\$2,268,859 (2015: S\$985,475) in profit or loss against certain available-for-sale financial assets. Further details are disclosed in Notes 19(b) and 19(d).

(c) Allowance for impairment of receivables

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

For the financial year ended 30 June 2016, the Group made an allowance for impairment loss (net of reversal) on trade receivables and other receivables of S\$108,614 and S\$9,541 respectively (2015: S\$81,122 and Nil respectively). The carrying amount of the Group's trade and other receivables is disclosed in Note 22.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 4 Revenue

	Group	
	2016	2015
	S\$	S\$
Revenue from sale of goods	20,954,553	43,023,119
Revenue from maintenance services	474,930	833,635
Revenue from rental of equipment	126,203	645,091
	<b>21,555,686</b>	<b>44,501,845</b>

## 5 Other Operating Income/Expenses

	Group	
	2016	2015
	S\$	S\$
<b>Continuing operations</b>		
The following items have been included in arriving at other operating income:		
Reversal of allowance for impairment loss on trade receivables	57,656	–
Foreign exchange gain – unrealised	30,246	–
Gain on disposal of plant and equipment	145,667	209,946
Service fee income	266,141	39,198
Gain on bargain purchase from acquisition of a subsidiary (Note 14(g)(ii))	–	508,764
Other income	291,767	114,633
	<b>791,477</b>	<b>872,541</b>



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 5 Other Operating Income/Expenses (Continued)

	Group (Restated)	
	2016 S\$	2015 S\$
<b>Continuing operations</b>		
The following items have been included in arriving at other operating expenses:		
Allowance for impairment loss on trade receivables	166,270	81,122
Allowance for impairment loss on non-trade receivables	9,541	–
Loss on disposal of financial assets held for trading	1,168	–
Loss on disposal of available-for-sale financial assets	–	8,070
Foreign exchange loss – unrealised	–	1,464,153
Foreign exchange loss – realised	267,066	310,044
Impairment of plant and equipment (Note 13)	462,316	–
Impairment of goodwill (Note 17)	297,030	–
Allowance for inventory obsolescence (Note 21)	2,003,880	1,215
Exploration expenditure expensed off (Note 18)	3,133,972	–
Expenditure for PRL 173 and 174	22,300	22,020
Impairment of available-for-sale financial assets – Joint Investment (Note 19(b))	1,407,500	–
Impairment loss of available-for-sale financial assets – quoted equity shares (Note 19(d))	861,359	985,475
Fair value loss of financial assets held for trading	–	4,675
Plant and equipment written-off	2,305	6,979
	<b>8,634,707</b>	<b>2,883,753</b>

## 6 Distribution and Selling Expenses

	Group (Restated)	
	2016 S\$	2015 S\$
<b>Continuing operations</b>		
Entertainment expenses	41,574	52,534
Public relation expenses	30,932	8,576
Travelling expenses	114,633	50,895
	<b>187,139</b>	<b>112,005</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 7 Administrative Expenses

	Group (Restated)	
	2016	2015
	S\$	S\$
	<u>          </u>	<u>          </u>
<b>Continuing operations</b>		
The following items have been included in arriving at administrative expenses:		
Audit fees		
– Company auditors	161,500	136,601
– Other auditors	86,232	74,079
Non-audit fees		
– Company auditors	–	–
– Other auditors	5,415	29,947
Depreciation of property, plant and equipment	313,026	402,072
Personnel expenses (Note 8)	4,785,211	5,782,707
Insurance expenses	261,158	241,604
Operating lease expenses	499,359	300,467
	<u>          </u>	<u>          </u>

## 8 Personnel Expenses

	Group (Restated)	
	2016	2015
	S\$	S\$
	<u>          </u>	<u>          </u>
<b>Continuing operations</b>		
Staff costs:		
– wages, salaries and bonuses	3,549,542	4,032,693
– defined contribution plans	196,032	276,647
– equity-settled share-based payments	7,506	271,620
– other personnel expenses	70,325	41,908
	<u>          </u>	<u>          </u>
	<u>3,823,405</u>	<u>4,622,868</u>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 8 Personnel Expenses (Continued)

	Group (Restated)	
	2016	2015
	S\$	S\$
<b>Continuing operations</b>		
Directors' wages, salaries and bonuses:		
– directors of the Company	–	148,804
– directors of subsidiaries	749,036	772,858
Directors' defined contribution plans:		
– directors of subsidiaries	22,065	24,887
Directors' fees:		
– directors of the Company	107,430	89,300
– directors of subsidiaries	81,000	45,000
Equity-settled share-based payments		
– directors of the Company	2,275	78,990
Total directors' remuneration	<u>961,806</u>	<u>1,159,839</u>
Total personnel expenses (Note 7)	<u>4,785,211</u>	<u>5,782,707</u>

## 9 Finance Income

	Group (Restated)	
	2016	2015
	S\$	S\$
<b>Continuing operations</b>		
Interest income:		
– bank and fixed deposits and others*	728,259	264,342

\* 2016 included the interest receivables from RCL (see Note 22(d)).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 10 Finance Costs

	Group (Restated)	
	2016 S\$	2015 S\$
<b>Continuing operations</b>		
Interest expense:		
– bank overdrafts	3,183	16,226
– finance leases	1,361	1,482
– borrowings	68,279	35,520
	<u>72,823</u>	<u>53,228</u>
Bank charges	58,182	80,190
	<u><b>131,005</b></u>	<u><b>133,418</b></u>

## 11 Income Tax

## (a) Income tax (credit)/expense

	Group	
	2016 S\$	2015 S\$
Current income tax		
– current year	130,754	599,006
– under/(over) provision in respect of prior years	6,423	(65,170)
	<u>137,177</u>	<u>533,836</u>
Deferred tax		
– current year	–	(142,413)
– (over)/under provision in respect of prior years	(137,428)	2,203
Income tax relating to continuing operations	<u><b>(251)</b></u>	<u><b>393,626</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 11 Income Tax (Continued)

## (a) Income tax (credit)/expense (Continued)

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

	Group	
	2016	(Restated) 2015
	S\$	S\$
Loss before income tax from continuing operations	<b>(11,157,930)</b>	(1,709,594)
Less: Share of profit of joint ventures entities	<b>(121,611)</b>	(227,467)
	<b>(11,279,541)</b>	(1,937,061)
Tax at the statutory tax rate	<b>(1,917,522)</b>	(329,300)
Tax effect of non-deductible expenses*	<b>925,113</b>	907,065
Tax effect of non-taxable income	<b>(107,737)</b>	(214,842)
Over provision in respect of current and deferred taxes in prior years, net	<b>(131,005)</b>	(62,967)
Deferred tax assets not recognised	<b>1,580,000</b>	80,000
Statutory exemption	<b>(14,819)</b>	(54,364)
Effect of different tax rates in other countries	<b>(334,281)</b>	68,034
	<b>(251)</b>	393,626

\* mainly relates to allowances and impairments (see Note 5).

The statutory tax rate used above is the corporate tax rate of 17% (2015: 17%) payable by corporate entities in Singapore on taxable profits under tax laws in that jurisdiction. The corporate tax rate applicable to those entities of the Group incorporated in Australia is 30% (2015: 30%). The remaining entities of the Group operating in other tax jurisdictions are considered not material.

As at 30 June 2016, the Group has unutilised tax losses of approximately S\$29,647,000 (2015: S\$22,918,000) available for offset against future taxable profits of the entities of the Group in which the losses arose, subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the entities operate. The tax losses have no expiry date. The deferred tax benefits of approximately S\$4,573,000 (2015: S\$2,993,000) arising from these unutilised tax losses have not been recognised in the financial statements as management has assessed that it is not probable that taxable profits will be available against which the unutilised tax losses can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 11 Income Tax (Continued)

## (b) Deferred tax (assets)/liabilities

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

	Group	
	2016 S\$	2015 S\$
Deferred tax assets	(208,187)	(165,721)
Deferred tax liabilities	1,759	6,378,738

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

	Balance at 1 July S\$	Recognised in profit or loss S\$	Recognised in other comprehensive income S\$	Currency realignment S\$	Balance at 30 June S\$
<b>Group</b>					
2016					
<u>Deferred tax (assets):</u>					
Provisions	(48,849)	(58,682)	–	957	(106,574)
Available-for-sale financial assets	(179,229)	(8,390)	2,764	(284)	(185,139)
Unutilised tax benefits <sup>1</sup>	(1,461,729)	15,261	–	44,648	(1,401,820)
	<u>(1,689,807)</u>	<u>(51,811)</u>	<u>2,764</u>	<u>45,321</u>	<u>(1,693,533)</u>
<u>Deferred tax liabilities:</u>					
Property, plant and equipment	28,085	(45,472)	–	1,509	(15,878)
Intangible assets	7,874,739	(6,117,965) <sup>2</sup>	–	(253,791)	1,502,983
	<u>7,902,824</u>	<u>(6,163,437)</u>	<u>–</u>	<u>(252,282)</u>	<u>1,487,105</u>
2015					
<u>Deferred tax (assets):</u>					
Provisions	(283,673)	239,727	–	(4,903)	(48,849)
Available-for-sale financial assets	(173,206)	–	(7,276)	1,253	(179,229)
Unutilised tax benefits <sup>1</sup>	(901,474)	(750,645)	–	190,390	(1,461,729)
	<u>(1,358,353)</u>	<u>(510,918)</u>	<u>(7,276)</u>	<u>186,740</u>	<u>(1,689,807)</u>
<u>Deferred tax liabilities:</u>					
Property, plant and equipment	34,530	(7,503)	–	1,058	28,085
Intangible assets <sup>3</sup>	8,577,254	378,211	–	(1,080,726)	7,874,739
	<u>8,611,784</u>	<u>370,708</u>	<u>–</u>	<u>(1,079,668)</u>	<u>7,902,824</u>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

**11 Income Tax** (Continued)**(b) Deferred tax (assets)/liabilities** (Continued)

- 1 *Unutilised tax benefits relates to unutilised tax losses of certain entities of the Group amounting to approximately S\$4.7 million (2015: S\$4.9 million) which are available for offset against future taxable profits in which the losses arose, subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the entities operate. The tax losses have no expiry date. The deferred tax benefits arising from these unutilised tax losses have been recognised in the financial statements as management has assessed that it is probable that future taxable profits will be available against which the unutilised tax losses can be utilised.*
- 2 *Included deferred tax liability of approximately S\$6.08 million relating to the Coal Concession Rights which was reversed to loss from discontinued operations in profit or loss (Note 20).*
- 3 *Included deferred tax liability of approximately S\$6.3 million relating to the Coal Concession Rights (Note 18(b)).*

**12 Loss Per Share**

	<b>Group</b>	
	<b>2016</b>	<b>(Restated)</b>
	<b>S\$</b>	<b>2015</b>
	<b>S\$</b>	<b>S\$</b>
Loss for the year attributable to equity holders of the Company	<b>(16,528,677)</b>	(2,662,443)
Loss for the year from discontinued operations used in the calculation of loss per share from discontinued operations	<b>(8,483,878)</b>	(38,218)
Loss for the year from continued operations used in the calculation of loss per share from continuing operations	<b>(8,044,799)</b>	(2,624,225)
Weighted average number of ordinary shares outstanding for the purposes of loss per share	<b>1,128,785,983</b>	54,050,415
<b>Loss per share (S\$ cents)</b>		
– Basic and diluted from continuing operations	<b>(0.71)</b>	(4.86)
– Basic and diluted from discontinued operations	<b>(0.75)</b>	(0.07)
<b>Total loss per share</b>	<b>(1.46)</b>	(4.93)

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

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

Diluted loss per share as at 30 June 2016 and 2015 is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the share conversion would be to decrease the loss per share. The Company has/had 2 categories of anti-dilutive potential ordinary shares, which pertains to convertible notes (Note 28) and share awards under the Magnus Energy PSP (Note 37(a)).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 13 Property, Plant and Equipment

## (a) Group

	Freehold land S\$	Freehold building S\$	Leasehold buildings and improvements S\$	Machinery tools and equipment S\$	Motor vehicles S\$	Computers S\$	Office equipment S\$	Furniture and fittings S\$	Renovations S\$	Total S\$
2016										
Cost										
Balance at 1 July 2015	445,766	573,307	4,865,901	4,009,803	205,590	377,115	66,827	675,181	12,800	11,232,290
Additions	-	-	-	10,781	298,987	18,088	453	26,063	76,978	431,350
Arising from acquisition of subsidiaries										
(Note 14(f))	-	-	-	629,480	-	758	432	681	-	631,351
Assets directly related to disposal group written off	-	-	-	-	-	-	(9,933)	-	-	(9,933)
Disposals*	(63,336)	(106,054)	-	(2,933,066)	(35,479)	(1,588)	-	(17,922)	-	(3,157,445)
Written off	-	-	-	(780)	-	-	(750)	(2,386)	(12,800)	(16,716)
Translation differences	(9,962)	(7,028)	14,472	61,451	(905)	(7,494)	(10,105)	(8,158)	-	32,271
Balance at 30 June 2016	372,468	460,225	4,880,373	1,777,669	468,193	386,879	46,924	673,459	76,978	9,143,168
Accumulated depreciation and impairment loss										
Balance at 1 July 2015	-	128,462	600,193	4,007,343	136,228	295,281	52,645	590,484	6,402	5,817,038
Charge for the year	-	10,185	120,949	58,494	40,347	40,896	3,489	29,702	9,252	313,314
Assets directly related to disposal group written off	-	-	-	-	-	-	(9,658)	-	-	(9,658)
Impairment loss	-	-	-	462,316	-	-	-	-	-	462,316
Disposals	-	(42,450)	-	(2,818,877)	(35,479)	(1,586)	-	(17,034)	-	(2,915,426)
Written off	-	-	-	(8)	-	-	(750)	(1,386)	(12,267)	(14,411)
Translation differences	-	(3,927)	(1,803)	(153,293)	(1,641)	(11,243)	(9,311)	(18,896)	-	(200,114)
Balance at 30 June 2016	-	92,270	719,339	1,555,975	139,455	323,948	36,415	582,870	3,387	3,453,059
Net book value										
Balance at 30 June 2016	372,468	367,955	4,161,034	221,694	328,738	63,531	10,509	90,589	73,591	5,690,109

\* Included the freehold property of the Group located at 9 Barfield Crescent, Elizabeth West, Adelaide South Australia.



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 13 Property, Plant and Equipment (Continued)

## (a) Group (Continued)

	Freehold land S\$	Freehold building S\$	Leasehold buildings and improvements S\$	Machinery tools and equipment S\$	Motor vehicles S\$	Computers S\$	Office equipment S\$	Furniture and fittings S\$	Renovations S\$	Total S\$
2015										
Cost										
Balance at 1 July 2014	469,763	604,170	4,516,957	5,855,044	244,871	329,910	68,617	700,930	56,641	12,846,903
Additions	-	-	2,155	4,117	82,143	34,149	-	4,962	-	127,526
Arising from acquisition of subsidiary										
(Note 14(g)(ii))	-	-	-	-	-	3,733	-	1,584	-	5,317
Disposals	-	-	-	(1,361,164)	(133,111)	-	-	-	-	(1,494,275)
Written off	-	-	-	-	-	(8,220)	(4,137)	(31,267)	(43,841)	(87,465)
Translation differences	(23,997)	(30,863)	346,789	(488,194)	11,687	17,543	2,347	(1,028)	-	(165,716)
Balance at 30 June 2015	445,766	573,307	4,865,901	4,009,803	205,590	377,115	66,827	675,181	12,800	11,232,290
Accumulated depreciation and impairment loss										
Balance at 1 July 2014	-	134,255	448,670	5,414,298	243,759	255,903	51,505	581,614	43,780	7,173,784
Charge for the year	-	11,033	113,734	188,281	17,936	30,544	2,532	32,034	6,400	402,494
Disposals	-	-	-	(1,163,196)	(133,111)	-	-	-	-	(1,296,307)
Written off	-	-	-	-	-	(8,220)	(3,562)	(24,926)	(43,778)	(80,486)
Translation differences	-	(16,826)	37,789	(432,040)	7,644	17,054	2,170	1,762	-	(382,447)
Balance at 30 June 2015	-	128,462	600,193	4,007,343	136,228	295,281	52,645	590,484	6,402	5,817,038
Net book value										
Balance at 30 June 2015	445,766	444,845	4,265,708	2,460	69,362	81,834	14,182	84,697	6,398	5,415,252

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 13 Property, Plant and Equipment (Continued)

### (a) Group (Continued)

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

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

As at 30 June 2016, the Group has a motor vehicle with a net book value of S\$276,563 (2015: Nil) registered in the name of a key management personnel of the Company held in trust for the Group.

As at 30 June 2016, the Group has certain furniture and fittings under finance leases with a net book value of S\$22,033 (2015: S\$31,058).

#### Allowance for impairment loss

Due to Flagship Group's (as defined in Note 14(a)) poor performance and lower-than-expected utilisation of its plant and equipment in generating profits, the Group recognised an impairment loss of the carrying amount of plant and equipment in the Flagship Group amounting to S\$462,316. Further details are disclosed in Note 17(a)(ii).

These plant and equipment belonged to the waste water treatment business segment of the Group. The impairment loss has been included under other operating expenses in profit or loss (Note 5).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 13 Property, Plant and Equipment (Continued)

## (b) Company

	Motor vehicles S\$	Computers S\$	Office equipment S\$	Furniture and fittings S\$	Renovations S\$	Total S\$
<u>2016</u>						
<u>Cost</u>						
Balance at 1 July 2015	–	45,937	17,989	14,909	12,800	91,635
Additions	298,987	8,170	453	16,262	36,182	360,054
Written off	–	–	(750)	(2,386)	(12,800)	(15,936)
Balance at 30 June 2016	298,987	54,107	17,692	28,785	36,182	435,753
<u>Accumulated depreciation</u>						
Balance at 1 July 2015	–	29,345	7,004	11,343	6,402	54,094
Charge for the year	22,424	17,271	2,105	1,549	6,872	50,221
Written off	–	–	(750)	(1,387)	(12,267)	(14,404)
Balance at 30 June 2016	22,424	46,616	8,359	11,505	1,007	89,911
<u>Net book value</u>						
Balance at 30 June 2016	276,563	7,491	9,333	17,280	35,175	345,842
<u>2015</u>						
<u>Cost</u>						
Balance at 1 July 2014	–	46,711	32,702	33,665	56,641	169,719
Additions	–	7,446	–	1,965	–	9,411
Disposals	–	(8,220)	(14,713)	(20,721)	(43,841)	(87,495)
Balance at 30 June 2015	–	45,937	17,989	14,909	12,800	91,635
<u>Accumulated depreciation</u>						
Balance at 1 July 2014	–	29,985	19,037	24,322	43,780	117,124
Charge for the year	–	7,580	2,096	1,410	6,400	17,486
Disposals	–	(8,220)	(14,129)	(14,389)	(43,778)	(80,516)
Balance at 30 June 2015	–	29,345	7,004	11,343	6,402	54,094
<u>Net book value</u>						
Balance at 30 June 2015	–	16,592	10,985	3,566	6,398	37,541

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 14 Investments in Subsidiaries

## (a) Investments in subsidiaries comprised:

	Company	
	2016 S\$	2015 S\$
<i>Equity investments, at cost:</i>		
Balance at 1 July	50,626,679	50,220,102
Additions	1,000,000	406,577
Transferred to assets directly related to disposal group held for sale (Note 20)	<b>(36,262,793)</b>	–
Balance at 30 June	<b>15,363,886</b>	50,626,679
<i>Allowance for impairment loss:</i>		
Balance at 1 July	<b>(35,771,133)</b>	(35,771,133)
Additions	<b>(1,000,000)</b>	–
Transferred to assets directly related to disposal group held for sale (Note 20)	<b>35,771,133</b>	–
Balance at 30 June	<b>(1,000,000)</b>	(35,771,133)
Carrying amount at 30 June	<b>14,363,886</b>	14,855,546

As at 30 June 2016, the Company's interest in shares of a subsidiary with a carrying amount of approximately S\$14.3 million is pledged as security against certain borrowings as disclosed in Note 28.

*Allowance for impairment loss*

During the financial year ended 30 June 2016, the Group completed the acquisition of Flagship Ecosystems Pte Ltd and its subsidiary, PT Ecosystems International, (collectively the "Flagship Group") as disclosed in (f) below.

The principal activities of the Flagship Group include providing environmental engineering services, wholesale sale of water treatment systems and equipment. However, in view of the Flagship Group's poor performance and losses incurred from operations due to the lesser than expected demand of its water treatment services and sales of its proprietary water treatment systems, the management recognised a full allowance to impair the carrying amount of the Company's investment in the Flagship Group as at 30 June 2016.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 14 Investments in Subsidiaries (Continued)

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

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group	
			2016 %	2015 %
<i>Held by the Company</i>				
Antig Investments Pte. Ltd.	Investment holding	Singapore	100.00	100.00
MEG Global Ventures Pte. Ltd.	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 <sup>2</sup>	Providing management services	Malaysia	100.00	100.00
APAC Coal Limited ("APAC") <sup>3,11</sup>	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	56.91	56.91
MEG Global Resources Limited ("MEGGR") <sup>4</sup>	Trading of energy and natural resources	British Virgin Islands	100.00	100.00
Flagship Ecosystems Pte Ltd ("Flagship") <sup>1</sup>	Providing environmental engineering services and wholesale of machinery and equipment	Singapore	60.00	–
PT MEG Harta Indonesia ("PT MEG") <sup>4, 10</sup>	Investment holding, property and infrastructure development and trading of natural resources	Indonesia	100.00	–

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 14 Investments in Subsidiaries (Continued)

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

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group	
			2016 %	2015 %
<i>Held by APAC</i>				
PT Deefu Chemical Indonesia ("PT Deefu") <sup>5, 11</sup>	Trading in chemical materials	Indonesia	<b>56.91</b>	56.91
<i>Held by PT Deefu</i>				
PT Batubara Selaras Saptas <sup>5, 11</sup>	Coal mining and marketing of coal products	Indonesia	<b>56.91</b>	56.91
<i>Held by MEG</i>				
Mid-Continent Equipment (Australia) Pty Ltd ("ME Australia") <sup>3</sup>	Supply of oilfield and mining equipment	Australia	<b>55.89</b>	55.89
Mid-Continent Enterprises, LLC <sup>6</sup>	Holding of warehouse property	United States of America	<b>55.89</b>	55.89
Mid-Continent Equipment, Inc. <sup>7</sup>	Supply of oilfield equipment	United States of America	<b>44.71</b>	44.71
Mid-Continent Environmental Project Pte Ltd	Sale and rental of decanters and provision of environmental and waste management services	Singapore	<b>55.89</b>	55.89
Mid-Continent Tubular Pte Ltd ("MTS")	Trading in oilfield tubular products and the provision of related services	Singapore	<b>55.89</b>	55.89
<i>Held by ME Australia</i>				
Tubular Leasing Australia Pty Ltd <sup>3, 8, 12</sup>	Renting or leasing drill pipes and drilling accessories	Australia	<b>28.50</b>	28.50
Mid-Continent Equipment NZ Limited <sup>3, 12</sup>	Supply of oilfield and mining equipment	New Zealand	<b>55.89</b>	55.89
<i>Held by Flagship</i>				
PT Ecosystems International <sup>1, 9</sup>	Distributors, marketing of water and waste water treatment systems and equipment	Indonesia	<b>60.00</b>	–

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 14 Investments in Subsidiaries (Continued)

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

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

- 1 Acquisition of subsidiaries (see Note 14(f)).
- 2 Audited by P.S.Yap, Isma & Associates, Johor Bahru, Malaysia.
- 3 Audited by Moore Stephens, Perth, Australia.
- 4 Not required to be audited under the laws of its country of incorporation but was audited by Moore Stephens LLP, Singapore for group consolidation purposes.
- 5 Exempted from audit under the laws of its country of incorporation.
- 6 Not required to be audited under the laws of its country of incorporation.
- 7 Audited by LaPorte CPA's and Business Advisors.
- 8 The entity is considered a subsidiary as the Group has control of this entity.
- 9 Audited by Lukito Darmawan.
- 10 Incorporated during the year (see Note 14(e)).
- 11 Transferred to disposal group held for sale (see Note 20).
- 12 In the process of de-registration. The investments in these entities are considered not material.

## (c) Interest in subsidiaries with non-controlling interests

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Net (loss)/profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2016	2015	2016	2015	2016	2015
		%	%	S\$	S\$	S\$	S\$
MEG Group	Singapore	44.11	44.11	(2,716,385)	521,005	14,125,771	(18,643,505)
APAC Group*	Australia	43.09	43.09	(6,798,043)	(123,488)	-	7,072,792
Other subsidiaries with immaterial non-controlling interests				(396,495)	-	280,468	-
				<u>(9,910,923)</u>	<u>397,517</u>	<u>14,406,239</u>	<u>25,716,297</u>

\* 2016 transferred to disposal group held for sale (see Note 20).

During the current financial year ended 30 June 2016, dividends paid by MEG to non-controlling shareholders amounted to S\$434,808 (2015: S\$583,564).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 14 Investments in Subsidiaries (Continued)

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

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

	<b>MEG Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$</b>	<b>S\$</b>
<u>Summarised statement of financial position</u>		
Current assets	22,525,482	34,849,897
Non-current assets	11,241,539	11,656,295
Current liabilities	(2,227,435)	(6,553,732)
Non-current liabilities	(15,486)	(116,684)
Equity attributable to owners of the Company	(31,130,732)	(38,074,674)
Non-controlling interests	<u>(393,368)</u>	<u>(1,761,102)</u>
<u>Summarised statement of comprehensive income</u>		
Revenue	21,099,826	43,996,932
(Loss)/profit for the year	(6,167,215)	591,928
Total comprehensive loss for the year	<u>(6,462,868)</u>	<u>(367,150)</u>
(Loss)/profit attributable to equity holders of the Company	(6,174,327)	118,899
Profit attributable to non-controlling interests	<u>7,112</u>	<u>474,289</u>
(Loss)/profit for the year	<u>(6,167,215)</u>	<u>593,188</u>
Total comprehensive loss attributable to equity holders of the Company	(6,289,579)	(672,889)
Total comprehensive (loss)/profit attributable to non-controlling interests	<u>(173,290)</u>	<u>304,433</u>
Total comprehensive loss for the year	<u>(6,462,869)</u>	<u>(368,456)</u>
<u>Summarised statement of cash flows</u>		
Net cash (outflow)/inflow from operating activities	(1,122,010)	3,286,049
Net cash (outflow)/inflow from investing activities	(2,529,567)	3,696,315
Net cash outflow from financing activities	<u>(2,236,501)</u>	<u>(1,322,259)</u>
Net cash (outflow)/inflow	<u>(5,888,078)</u>	<u>5,660,105</u>



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

**14 Investments in Subsidiaries** (Continued)**(e) Incorporation of a subsidiary**2016

The Company and its wholly owned subsidiary, MEGGR, incorporated a subsidiary, PT MEG, in Indonesia with an authorised capital of Rp13,000,000,000 and a paid-up share capital of Rp3,250,000,000. The equity interest held by the Company and MEGGR in PT MEG is 90% and 10%, respectively.

2015

The Company had incorporated a wholly owned subsidiary, MEGGR, in the British Virgin Islands with an authorised capital of US\$50,000 and a paid-up share capital of US\$10,000.

**(f) Acquisition of subsidiaries**

During the financial year ended 30 June 2016, the Company completed the acquisition of a 60% equity interest in the Flagship Group for a cash consideration of S\$1,000,000.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of the acquired subsidiaries' identifiable net assets.

The fair value of the identifiable assets and liabilities of the acquired Flagship Group as at the acquisition date were:

	<b>2016</b>
	<b>S\$</b>
Plant and equipment (Note 13)	<b>631,351</b>
Inventories	<b>61,535</b>
Trade and other receivables	<b>1,509,192</b>
Cash and bank deposits	<b>17,715</b>
Trade and other payables	<b>(1,048,177)</b>
Total identifiable net assets at fair value	<b>1,171,616</b>
Less: Non-controlling interests	<b>(468,646)</b>
Less: Consideration paid in cash	<b>(1,000,000)</b>
Goodwill arising on acquisition (Note 17(a)(ii))	<b>(297,030)</b>

Goodwill arising on acquisition of the Flagship Group is due to the consideration paid for the business combination effectively included amounts in relation to the benefit of expected synergies, revenue growth and future market developments of the Flagship Group. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 14 Investments in Subsidiaries (Continued)

### (f) Acquisition of subsidiaries (Continued)

#### *Impact of acquisition on the cash flows of the Group*

	2016 S\$
Consideration paid in cash	1,000,000
Less: Cash and bank deposits acquired	(17,715)
Net cash outflow on acquisition of subsidiaries	<u>982,285</u>

#### *Impact of acquisition on the results of the Group*

From the date of acquisition, the Flagship Group contributed a total revenue of approximately S\$456,000 and a net loss for the year of approximately S\$496,000 to the Group's results. If the acquisition had occurred on 1 July 2015, the Group's consolidated revenue and net loss for the current financial year would have been approximately S\$21,881,000 and S\$26,794,000, respectively.

### (g) Acquisition of additional interest in subsidiary

- (i) In the previous financial year ended 30 June 2015, the Group had acquired an additional 1.54% equity interest in MEG for a consideration of S\$393,254. Following the additional acquisition, the Group had increased its equity interest in MEG from 54.35% to 55.89%.

Consequently, the Group's effective equity interest in associated companies and joint venture entities under MEG was increased as follows:

#### *Associated Companies*

- Mohebi – Midcontinent Oilfield Supply Limited Liability Company from 26.63% to 27.39%
- MEP Environmental Services Sdn Bhd from 27.18% to 27.95%

#### *Joint Venture Entities*

- GSO Pte. Ltd. from 27.18% to 27.95%
- Plant Tech Mid-Continent (India) Pvt. Ltd. from 27.18% to 27.95%
- MEP Waste Management (M) Sdn Bhd from 27.18% to 27.95%

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 14 Investments in Subsidiaries (Continued)

## (g) Acquisition of additional interest in subsidiary (Continued)

*Joint Venture Entities (Continued)*

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

	<b>2015</b>
	<b>S\$</b>
Carrying amount of non-controlling interests acquired	574,156
Consideration paid to non-controlling interests	(393,254)
Change in interest in a subsidiary recognised in equity	<u>180,902</u>

- (ii) In the financial year ended 30 June 2015, MEG had acquired an additional 50% equity interest in MTS for a consideration of US\$400,000 (equivalent to S\$549,520). Following the additional acquisition, MEG held a 100% equity interest in MTS. The Group's effective interest in MTS was accordingly increased from 27.18% to 55.89%.

The fair value of the identifiable assets and liabilities of the acquired subsidiary as at the acquisition date were:

	<b>2015</b>
	<b>S\$</b>
Cash and bank deposits	2,150,582
Property, plant and equipment (Note 13)	5,317
Trade and other payables	(39,331)
Total identifiable net assets	2,116,568
Less: Consideration paid in cash	(549,520)
Less: Fair value of previously held equity interest	(1,058,284)
Gain on bargain purchase on acquisition	<u>508,764</u>

The Group had recognised a gain on bargain purchase on acquisition as a result of the fair value of net identifiable assets acquired exceeding the cash consideration paid. Gain on bargain purchase on acquisition was included under other operating income (Note 5).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 14 Investments in Subsidiaries (Continued)

## (g) Acquisition of additional interest in subsidiary (Continued)

*Impact of acquisition on the cash flows of the Group*

	<b>2015</b>
	<b>S\$</b>
Cash and bank deposits acquired	2,150,582
Less: Consideration paid in cash	(549,520)
Net cash inflow on additional acquisition	<u>1,601,062</u>

*Impact of acquisition on the results of the Group*

From the date of acquisition to 30 June 2015, MTS did not generate any income and had remained inactive.

## 15 Investments in Associated Companies

## (a) Investments in associated companies comprised:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$</b>	<b>S\$</b>
<i>Equity investments, at cost:</i>		
Balance at 1 July	<b>22,350</b>	22,350
Disposal	<b>(22,000)</b>	-
Balance at 30 June	<b>350</b>	22,350
<i>Share of post-acquisition losses:</i>		
Balance at 1 July	<b>(20,510)</b>	(20,641)
Disposal	<b>20,510</b>	-
Currency realignment	<b>(350)</b>	131
Balance at 30 June	<b>(350)</b>	(20,510)
Carrying amount at 30 June	<u>-</u>	<u>1,840</u>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 15 Investments in Associated Companies (Continued)

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

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Cost of Investment		Effective Equity Interest Held by the Group	
		2016 S\$	2015 S\$	2016 %	2015 %
<i>Held by MEG</i>					
Mohebi – Midcontinent Oilfield Supply Limited Liability Company <sup>1</sup> United Arab Emirates	Trading in oilfield equipment and spare parts	350	350	27.39	27.39
<i>Held by MEP</i>					
MEP Environmental Services Sdn Bhd <sup>2</sup> Malaysia	Provision of environmental and waste management services	–	22,000	–	27.95
		<b>350</b>	<b>22,350</b>		

1 Audited by Ernst & Young, United Arab Emirates.

2 Members' voluntary winding-up during the year. The proceedings from the winding-up was considered not material.

As at 30 June 2016 and 2015, no associated company was considered individually material to the Group. The associated companies have remained inactive for the financial years ended 30 June 2016 and 2015. There was no income generated and no expenses incurred for the financial year ended 30 June 2016 and 2015.

## 16 Investments in Joint Venture Entities

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

	Group	
	2016 S\$	2015 S\$
Balance at 1 July	775,636	3,996,598
Share of the profit for the year	121,611	227,467
Dividend received from joint venture entities	–	(2,677,236)
Foreign exchange differences	(38,050)	287,091
Reclassification of joint venture entity to a subsidiary following the additional acquisition during the year (Note 14(g)(ii))	–	(1,058,284)
Balance at 30 June	<b>859,197</b>	<b>775,636</b>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 16 Investments in Joint Venture Entities (Continued)

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

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Effective Equity Interest Held by the Group	
		2016 %	2015 %
GSO Pte. Ltd. <sup>1</sup> Singapore	To carry on the business of purchase, holding in stock and sale of oilfield and industrial equipments and chemicals and provision of global supply outsourcing in relation to the aforesaid business activities	–	27.95
<i>Held by MEP</i>			
Plant Tech Mid-Continent (India) Pvt. Ltd. <sup>2</sup> India	Catalyst handling and reactor maintenance, hot-topping and allied services, and bolt tensioning services	27.95	27.95
MEP Waste Management (M) Sdn Bhd <sup>3</sup> Malaysia	Provision of environmental and waste management services	27.95	27.95

1 Liquidated during the year. The proceedings from the liquidation was considered not material.

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

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

As at 30 June 2016 and 2015, no joint venture entity was considered individually material to the Group. The summarised financial information of the Group's share of the joint venture entities is as follows:

	Group	
	2016 S\$	2015 S\$
Current assets	944,087	661,931
Non-current assets	306,365	510,362
Current liabilities	(472,589)	(358,187)
Non-current liabilities	(11,885)	(38,470)
Revenue	1,357,626	1,168,122
Profit for the year	121,611	227,467
Other comprehensive income for the year	–	–
Total comprehensive income for the year	121,611	227,467

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 17 Goodwill

	Group	
	2016 S\$	2015 S\$
Balance at 1 July	1,569,703	1,569,703
Acquisition of subsidiaries (Note 14(f))	297,030	–
	<b>1,866,733</b>	1,569,703
Less: Impairment of goodwill	(297,030)	–
Balance at 30 June	<b>1,569,703</b>	1,569,703

## (a) Allocation of goodwill to cash-generating units

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

	Group	
	2016 S\$	2015 S\$
MEG Group – Oilfield equipment supply and services	1,569,703	1,569,703
Flagship Group	297,030	–
	<b>1,866,733</b>	1,569,703

(i) MEG Group2016

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

Based on the above, management has assessed the recoverable amount of the MEG Oilfield to be in excess of its carrying amount, including the goodwill. Therefore, the goodwill allocated to the MEG Oilfield was regarded as not impaired as at 30 June 2016.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 17 Goodwill (Continued)

### (a) Allocation of goodwill to cash-generating units (Continued)

#### (i) MEG Group (Continued)

#### 2016 (Continued)

#### Sensitivity analysis

The recoverable amount of the MEG Oilfield is sensitive to the estimated valuation of the leasehold building. Management has determined that any reasonably possible variations in the estimated valuation, on which the recoverable amount was based on, would not result the carrying amount of the MEG Oilfield, including the goodwill, to exceed its recoverable amount.

#### 2015

For the purpose of the annual impairment testing, management had assessed the recoverable amount of the MEG Oilfield based on value in use calculation which used cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. Management had estimated discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the MEG Oilfield. The key assumptions for the value in use calculation were as follows:

Revenue growth rate	0% in the 1 <sup>st</sup> and 2 <sup>nd</sup> year and 1% in the next 3 years
Gross profit margin	20.2%
Growth rate used to calculate the terminal value	1%
Discount rate	<u>5.9%</u>

Based on the above, management had assessed the recoverable amount of the MEG Oilfield to be in excess of its carrying amount, including the goodwill. Therefore, the goodwill allocated to the MEG Oilfield was regarded as not impaired as at 30 June 2015.

#### Sensitivity analysis

Management had determined that any reasonably possible change in the above assumptions, on which the recoverable amount was based on, would not result the carrying amount of the MEG Oilfield, including the goodwill, to exceed its recoverable amount.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 17 Goodwill (Continued)

### (a) Allocation of goodwill to cash-generating units (Continued)

#### (ii) Flagship Group

During the financial year ended 30 June 2016, the Group completed its acquisition of the Flagship Group and recognised goodwill arising on acquisition of S\$297,030 (Note 14(f)).

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

Based on the above, management has assessed the carrying amount of the Flagship Group, including the goodwill, to be in excess of its recoverable amount. Therefore, the goodwill allocated to the Flagship Group was regarded as impaired as at 30 June 2016. The impairment loss recognised for the Flagship Group has been allocated first, to the carrying amount of goodwill and then, to the plant and equipment (see Note 13(a)).

The impairment of goodwill of the Flagship Group has been included under other operating expenses in profit or loss (Note 5).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 18 Other Intangible Assets

	Group	
	2016 S\$	2015 S\$
<i>Petroleum Retention License</i>		
– 20% (2015: 20%) participating interest for the exploration of an area covered by PRL 173 and 174		
Balance at 1 July	4,670,806	4,259,577
Additions	2,966,707	999,057
Exploration expenditure expensed off (a)	(3,133,972)	–
Currency realignment	(122,321)	(587,828)
Balance at 30 June	<b>4,381,220</b>	4,670,806
<i>Coal Concession Rights</i>		
– Coal concession rights granted by the Government of Indonesia for a period of 30 years commencing from the date that mining operations commences, to explore, mine and extract coal from the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia		
Balance at 1 July	54,639,582	57,572,932
Currency realignment	(690,199)	(2,933,350)
Transferred to assets directly related to disposal group held for sale (Note 20)	(53,949,383)	–
Balance at 30 June	–	54,639,582
– Exploration and evaluation expenditure incurred for the exploration and evaluation of coal of the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia		
Balance at 1 July	854,276	881,112
Currency realignment	–	(26,836)
Transferred to assets directly related to disposal group held for sale (Note 20)	(854,276)	–
Balance at 30 June	–	854,276
– Accumulated impairment loss		
Balance at 1 July	(33,689,982)	(33,689,982)
Impairment loss (b)	(21,113,676)	–
Transferred to assets directly related to disposal group held for sale (Note 20)	54,803,658	–
Balance at 30 June	–	(33,689,982)
Carrying amount at 30 June	–	21,803,876
Total other intangible assets	<b>4,381,220</b>	26,474,682

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

**18 Other Intangible Assets** (Continued)**(a) Petroleum Retention License**

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

2016

During the financial year ended 30 June 2016, the Group completed the drilling of two wells, Jute-1 and Willow-1, as part of the ongoing drilling campaign in PRL 173 and PRL 174. However, no measurable gas rate was recorded during the production test.

The recoverability of the carrying amount of the Group's interest in PRL 173 and PRL 174 is dependent on successful development and commercial exploitation, or alternatively, sale of the interest. In assessing the recoverability of the carrying amount, reference is made to Note 3 – Critical judgements – Exploration and evaluation expenditure. The management has determined that since the production test showed no commercial value from the drilling of the two wells, the drilling costs incurred for the two wells amounting to S\$3,133,972 have accordingly been expensed off to profit or loss as at 30 June 2016 (Note 5).

2015

As at 30 June 2015, the recoverability of the carrying amount of the Group's interest in PRL 173 and 174 was determined from a value in use calculation. The key assumptions for the value in use calculation are those regarding the estimated reserves, gas price assumptions and discount rates. Management had obtained the 5 year business plan prepared by the major partner (80% participating interest) that include amongst other estimates and assumptions, gas prices ranging from S\$3.5 per gigajoule to S\$3.9 per gigajoule that were within market analysts' estimated ranges for the relevant years. The rate used to discount the cash flows forecasts was 5.9%.

Based on the above, management had assessed the recoverable amount of the Group's interest in PRL 173 and 174 was in excess of its carrying amount. Therefore, the carrying amount of the Group's interest in PRL 173 and 174 was regarded as not impaired as at 30 June 2015.

Sensitivity analysis

Management had determined that any reasonably possible change in the above assumptions, on which the recoverable amount was based on, would not result the carrying amount of the Group's interest in PRL 173 and 174 to exceed its recoverable amount.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 18 Other Intangible Assets (Continued)

### (b) Coal Concession Rights

#### 2016

As at 30 June 2016, the carrying amount of the Group's Coal Concession Rights has been written down to its fair value less costs to sell of US\$2 and transferred to assets directly related to a disposal group classified as held for sale (see Note 20).

#### 2015

As at 30 June 2015, the carrying amount of the Group's Coal Concession Rights amounted to S\$21.8 million with a corresponding deferred tax liability of approximately S\$6.3 million (Note 11) included in intangible assets are held in the name of PT Batubara Selaras Sapta ("PT BSS"), a subsidiary of the Group.

In 2008, the Indonesian Ministry of Law and Human Rights informed the Group that another party is also registered as the legal owners of PT BSS. In 2009, the Group filed a case against the Ministry of Law and Human Rights to confirm the Group's legal rights as to the ownership of PT BSS. In November 2009, the Supreme Court of Indonesia upheld an earlier judgement of the High Court, which was not to suspend the registration of the other party as the legal owner of PT BSS.

On the advice of the Indonesian legal counsel, the Group in April 2010 submitted an application for a Judicial Review to the Chief Justice of the Supreme Court of Indonesia, seeking to overturn the earlier ruling of the High Court. In May 2012, the Indonesian legal counsel advised that the Judicial Review had been concluded, and that the Administrative Court does not have the authority to examine the title of ownership of the shares of PT BSS. Instead, only a District Court has such an authority.

Subsequently, a fresh civil suit was filed by the Group with the District Court of Southern Jakarta. In accordance with the Indonesian Rules of Civil Procedure, the disputing parties have to conduct mediation before a trial. In June 2013, the Group received the judgement on the aforesaid civil suit. The District Court of Southern Jakarta had dismissed the lawsuit on the grounds that several individuals or parties named in the civil suit were not involved in the dispute.

Consequently, after consultation with the Group's legal advisors, the Group served a Notice of Intent ("Notice") to Resolve Investment Dispute to the Government of the Republic of Indonesia on 25 June 2013. In February 2015, APAC appointed an attorney to pursue the Company's claim against the Government of the Republic of Indonesia via arbitration of the International Centre for Settlement of Investment Dispute ("ICSID"). In March 2015, a request to resolve the investment dispute through consultations and negotiations was sent to the Government of the Republic of Indonesia by the attorney. As at the date of authorisation of these financial statements, the Government of the Republic of Indonesia has not responded to the request.

In view of the ongoing legal proceedings, PT BSS has been advised by the Indonesian Ministry of Energy and Mines to suspend all activities at the coal mine for the foreseeable future.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

**18 Other Intangible Assets** (Continued)**(b) Coal Concession Rights** (Continued)*Impairment loss – Coal Concession Rights*2016

As at 30 June 2016, the Group has written down the carrying amount of the Group's Coal Concession Rights to its fair value less costs to sell of US\$2 as explained above. The impairment loss amounting to S\$21,113,676 has been included in the loss from discontinued operations in profit or loss (Note 20).

2015

As at 30 June 2015, the impairment loss of S\$33,689,982 which was made in 2009 was derived based on the fair value estimated by an independent valuer, who had issued an independent technical valuation report in August 2009, on the Joint Ore Reserves Committee ("JORC") – compliant resource estimate for the coal concession within an 8.9 km<sup>2</sup> investigation area with an indicated resource aggregating approximately 6.79 million tonnes of coal, and the remaining exploration potential of the coal concession comprising 222 km<sup>2</sup>. The independent valuer had applied the In-situ Method of valuing the mineral resources associated with the 8.9 km<sup>2</sup> investigation area and the Comparable Transaction Method to value the remaining exploration potential comprising 222 km<sup>2</sup> to estimate the fair value of the Coal Concession Rights as at 30 June 2009.

As the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT BSS, as described in the preceding paragraphs of this note, was uncertain, the directors of the Company were unable to estimate with any degree of certainty the future cash flows attributable to the Group's investment in the Coal Concession Rights. For these reasons, it was not possible with any degree of reliability to assess the fair value of the Group's investment in the Coal Concession Rights as at 30 June 2015. Accordingly, the investment had been included in the Group's consolidated statement of financial position at its carrying amount as disclosed in this note.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 19 Other Financial Assets

		Group		Company	
		2016	2015	2016	2015
		S\$	S\$	S\$	S\$
<u>Current</u>					
<i>Available-for-sale financial assets, at fair value:</i>					
Road Projects*	(a)	<b>1,900,000</b>	–	–	–
Joint Investment	(b)	<b>1,407,500</b>	–	<b>1,407,500</b>	–
		<b>3,307,500</b>	–	<b>1,407,500</b>	–
Less: Impairment		<b>(1,407,500)</b>	–	<b>(1,407,500)</b>	–
		<b>1,900,000</b>	–	–	–
<u>Non-current</u>					
<i>Available-for-sale financial assets, at fair value:</i>					
Dam Project*	(c)	<b>4,000,000</b>	–	–	–
Quoted equity shares	(d)	<b>1,940,429</b>	2,786,123	<b>100</b>	321
		<b>5,940,429</b>	2,786,123	<b>100</b>	321
<i>Financial assets held for trading:</i>					
Quoted warrants, at fair value		–	1,168	–	1,168
		<b>5,940,429</b>	2,787,291	<b>100</b>	1,489

\* collectively known as "Indonesia Projects"

**(a) Road Projects**

During the financial year ended 30 June 2016, the Group entered into several participation agreements with PT Hanjungin ("PTH"), a company incorporated in Indonesia, to provide working capital for the construction of toll roads in Cimanggis, West Java and Solo, Central Java, Indonesia ("Road Project I" and "Road Project II", respectively). As at 30 June 2016, the Group has advanced a total of S\$1.0 million and S\$0.9 million (the "Road Project Investment Amounts") to PTH as working capital for Road Project I and Road Project II, respectively. The projects are expected to be completed within a period of 6 months. The Road Project Investment Amounts are collateralised by land beneficially owned by PTH. The land is the same land collateralised by the Redeemable Convertible Loan ("RCL") extended to PTH (see Note 22(d)).

Under the terms of the agreements with PTH, the Group is entitled to an agreed percentage of the profits from these projects in addition to the full recovery of the Road Project Investment Amounts. As the Road Project Investment Amounts are essentially advances to PTH with variable returns, the Group has accordingly classified the Road Project Investment Amounts as available-for-sale financial assets. The management estimates the fair value of the Road Project Investment Amounts is not materially different from its carrying amount in view of the early termination/delay as disclosed further below.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 19 Other Financial Assets (Continued)

### (a) Road Projects (Continued)

As at 30 June 2016, Road Project I was terminated early with the mutual agreement of both contracting parties. Pursuant to the terms of the early termination, PTH shall return the full advanced amount of S\$1.0 million, together with the Group's share of the expected profits of approximately S\$20,000.

As 30 June 2016, Road Project II has been delayed due to issues mainly relating to material supplies, which PTH is currently in discussion with the main contractor to determine the continuity of the existing work done and to provide a new completion date.

Subsequent to the financial year ended 30 June 2016, the full advanced amount of S\$1.0 million for the Road Project I has been recovered from PTH, together with the Group's share of the expected profits.

### (b) Joint Investment

During the financial year ended 30 June 2016, the Company entered into a joint investment agreement with Yangtze Investment Partners Limited ("Yangtze"), a company incorporated in Hong Kong, to invest US\$1.0 million (approximately S\$1.4 million) (the "Joint Investment Amount") for an investment in a potential initial public offering of a renewable energy company. Yangtze has guaranteed repayment of the full Joint Investment Amount in the event no investment has been made within 3 months of the investment agreement.

Under the terms of the investment agreement, in the event that the investment funded by the Joint Investment through the agreement turns in a profit of more than twenty percent (20%) of the Joint Investment Amount, Yangtze shall be entitled to a profit share of forty percent (40%) of the profit in excess of the initial said 20% profit computed based on the Joint Investment Amount. In addition, Yangtze shall be entitled to a two percent (2%) placement fee computed based on the Joint Investment Amount. As the return of the Joint Investment Amount is variable, the Company has accordingly classified the Joint Investment Amount as an available-for-sale financial asset.

The joint investment has been extended from 20 November 2015 to 20 February 2016 and subsequently to 30 November 2016. Notwithstanding the extension periods given, management has recognised an impairment of the Joint Investment Amount as at 30 June 2016 in view of the uncertainty arising from the delays in the joint investment. The impairment has been included under other operating expenses in profit or loss (Note 5).

### (c) Dam Project

During the financial year ended 30 June 2016, the Group entered into a participation agreement with PTH to provide working capital for the land clearing and tunneling works as part of the dam construction in Banten, West Java Indonesia (the "Dam Project"). As at 30 June 2016, the Group has advanced a total of S\$4.0 million (the "Dam Project Investment Amount") to PTH as working capital for the Dam Project. The project is expected to be completed within a period of 18 months. The Dam Project Investment Amount is collateralised by land beneficially owned by PTH. The land is the same land collateralised by the RCL extended to PTH (see Note 22(d)).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 19 Other Financial Assets (Continued)

### (c) Dam Project (Continued)

Under the terms of the agreement with PTH, the Group is entitled to/shall bear an agreed percentage of the profits/losses from this project in addition to the full recovery of the Dam Project Investment Amount. As the Dam Project Investment Amount is essentially advanced to PTH with variable returns, the Group has accordingly classified the Dam Project Investment Amount as an available-for-sale financial asset. The management estimates the fair value of the Dam Project Investment Amount is not materially different from its carrying amount in view of the subsequent early termination of the Dam Project as disclosed further below.

Subsequent to the financial year ended 30 June 2016, the Dam Project was terminated early with the mutual agreement of both contracting parties. Pursuant to the terms of the early termination, PTH shall return the full advanced amount of S\$4.0 million over the following repayment dates:

- S\$3.0 million on or before end of September 2016; and
- S\$1.0 million on or before 1 March 2017.

As at the date of these financial statements, the Group has recovered the first repayment of S\$3.0 million.

### (d) Quoted equity shares

During the financial year ended 30 June 2016, the Group recognised an impairment loss of S\$861,359 (2015: S\$985,475) for certain available-for-sale financial assets as a result of a significant decline in the fair value of the quoted equity shares investments. The impairment loss has been included under other operating expenses in profit or loss (Note 5).

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

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

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Assets classified as held for sale	<u>1</u>	<u>–</u>	<u>1,796,760<sup>1</sup></u>	<u>–</u>
Liabilities classified as held for sale	<u>–</u>	<u>–</u>	<u>1,758,574<sup>2</sup></u>	<u>–</u>

<sup>1</sup> Comprised investments in APAC Group of S\$491,660 (Note 14(a)) and amount due from APAC of S\$1,305,100.

<sup>2</sup> Comprised amount due to APAC of S\$1,758,574.



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

**20 Assets/Liabilities Directly Related to Disposal Group Classified as Held for Sale** (Continued)**(a) Assets/Liabilities directly related to disposal group classified as held for sale** (Continued)

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

The directors of the Company expect the Proposed Acquisition to be completed in the next 12 months, and consequently, Magnus Energy Group Ltd shall cease to be the majority and controlling shareholder of APAC upon the completion of the Proposed Acquisition.

As part of the Proposed Acquisition, restructuring of APAC and its subsidiaries (collectively the "APAC Group") was required including disposing of APAC's interest in PT Deefu Chemical Indonesia ("PT Deefu"). The only asset owned by PT Deefu is 100% of the shares in PT Batubara Selaras Sapta ("PT BSS"), whose core asset is the Coal Concession Rights (Note 18). APAC will be disposing PT Deefu to its Indonesia director for a nominal value of US\$2, thereby discontinuing the coal mining business segment of the Group. Except for the above, other non-significant assets and liabilities of the APAC Group have been fully written off to the loss from discontinued operations in profit and loss as at 30 June 2016. The comparative consolidated statement of comprehensive income has been re-presented as if the APAC Group had been discontinued from the beginning of the comparative year.

**(b) Discontinued operations**

	Group	
	2016	2015
	S\$	S\$
<b>Loss for the year from discontinued operations</b>		
Revenue	-	-
Other operating income	26,290	142,055
Other operating expenses*	(21,105,513)	-
Distribution and selling expenses	(34,859)	(9,007)
Administrative expenses	(243,991)	(294,773)
Finance income	53	19
Finance costs	(1,721)	-
<b>Loss before tax</b>	<b>(21,359,741)</b>	<b>(161,706)</b>
Income tax (Note 11(b))	6,077,820	-
<b>Loss for the year from discontinued operations</b>	<b>(15,281,921)</b>	<b>(161,706)</b>
<b>Cash flows from discontinued operations</b>		
Net cash (outflow)/inflow from operating activities	(25,494)	50,163

\* included the impairment loss of Coal Concession Rights amounted to S\$21,113,676 (Note 18(b)).

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 21 Inventories

	Group	
	2016 S\$	2015 S\$
<i>At cost:</i>		
Finished goods	1,673,036	5,826,759
Goods-in-transit	299,987	661,928
Work-in-progress	183,576	7,640
	<b>2,156,599</b>	6,496,327
<i>At net realisable value:</i>		
Finished goods	1,944,350	37,348
Carrying amount at 30 June	<b>4,100,949</b>	6,533,675
Cost of inventories sold included in cost of sales amounted to:	<b>17,100,663</b>	34,993,873

For the financial year ended 30 June 2016, the Group made an allowance for inventory obsolescence of S\$2,003,880 (2015: S\$1,215) to write down certain inventories to their net realisable values, with reference to price quotations from third party suppliers for similar inventories.

Sensitivity analysis

A 10% change in the price quotations for the inventories would result in an approximately 1% (2015: considered not material) variance in the Group's loss for the financial year ended 30 June 2016.

## 22 Trade and Other Receivables

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
<u>Current</u>				
Trade receivables	3,136,743	6,271,953	-	-
Less: Allowance for impairment loss	(173,160)	(66,085)	-	-
	<b>2,963,583</b>	6,205,868	-	-
Advance to suppliers	15,424	64,179	-	-
Prepayment for construction of Plant (a)	3,025,167	-	-	-
Advance to Agency (b)	1,400,000	-	-	-
Assigned Debt (c)	1,008,840	-	-	-
Other receivables	400,425	91,211	32,322	18,711
Deposits	78,317	322,974	13,870	302,934
Prepayments	191,830	69,868	141,255	8,571
Other interests receivable	235,467	85,806	202,122	-
Other taxes recoverable	16,993	57,157	-	-
	<b>9,336,046</b>	6,897,063	<b>389,569</b>	330,216
<u>Non-current</u>				
Redeemable convertible loan (d)	<b>5,000,000</b>	1,500,000	<b>5,000,000</b>	-

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

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

**22 Trade and Other Receivables** (Continued)**Allowance for impairment loss – trade receivables**

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

	Group	
	2016 S\$	2015 S\$
Balance at 1 July	66,085	12,895
Reversal of allowance	(57,656)	–
Allowance written off	(337)	(26,372)
Allowance for the year	166,270	81,122
Currency alignment	(1,202)	(1,560)
Balance at 30 June	<b>173,160</b>	66,085

*(a) Prepayment for construction of Plant*

During the financial year ended 30 June 2016, MEG Management Sdn Bhd ("MEG Malaysia"), a subsidiary of the Group, entered into an engineering, procurement and construction contract (the "EPC Contract") and an operation and maintenance agreement ("O&M Agreement") with Algae Farm Engineering Sdn Bhd ("AFE"), a company incorporated in Malaysia, to build and manage a microalgae oil cultivation facility (the "Plant") in Selangor, Malaysia, subject to the terms and conditions set out in the EPC Contract and O&M Agreement. MEG Malaysia, in conjunction with the EPC Contract and O&M Agreement, has separately entered into a Patent License Agreement with Mr Kim Jae Hoon, the founder and director of AFE, for the use of patents on both the cultivation of microalgae and the harvesting machine in the Plant.

Under the terms of the EPC Contract, the estimated total capital commitment for the construction is US\$12.75 million (approximately S\$17.2 million). As at 30 June 2016, the Group has prepaid approximately S\$3.0 million to AFE for the construction of the Plant.

*(b) Advance to Agency*

During the financial year ended 30 June 2016, the Group entered into an agreement to engage an agency in Indonesia (the "Agency") as an agent to negotiate and conclude contracts of sale for minerals and natural resources produced in Indonesia on behalf of the Group. As at 30 June 2016, outstanding trade advances held with the agency amounted to approximately S\$1.4 million. The agency agreement was subsequently terminated and the said trade advances was recovered in full.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 22 Trade and Other Receivables (Continued)

### Allowance for impairment loss – trade receivables (Continued)

#### (c) Assigned Debt

During the financial year ended 30 June 2016, MEG Global Ventures Pte Ltd (“MEG Global Ventures”), subsidiary of the Group, entered into a deed of assignment (the “Deed”) with Revenue Anchor Sdn Bhd (“RASB”) pursuant to which, RASB shall assign to MEG Global Ventures the benefit of the loan amounting to a sum of GBP510,000, (approximately S\$1.0 million) (the “Assigned Debt”) owing from GCM Resources plc (“GCM”) to RASB under the terms of the convertible loan agreement (“CLA”) as further described below. The Assigned Debt matures on 30 June 2017 with no interest payable.

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

#### (d) Redeemable Convertible Loan (“RCL”)

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

Under the terms of the agreement, the RCL shall be drawn down in 50 tranches of S\$100,000 each and shall be convertible into fully paid ordinary shares in the share capital of PTH at a conversion price based on the net assets value of PTH at the intended date of conversion, subject to the mutual agreement by the contracting parties. Unless converted, PTH shall redeem 100% of the principal amount of the drawn down RCL by 31 December 2017. Management is of the view that the equity conversion feature in the RCL has no significant value as it can only be exercised with the mutual agreement of both contracting parties.

The RCL is secured by a land collateral agreement whereby PTH grants power of attorney to a director of an Indonesia subsidiary of the Group to act for and on behalf of PTH to sell, transfer or dispose of all the interest (legal, beneficial or otherwise) in the Kupang Land. The Group’s Indonesian legal advisor has advised the directors of the Company with regard to the enforceability of the land collateral agreement. Further, based on the valuation report provided by an independent professional firm of valuers, the directors of the Company estimate the fair value of the Kupang Land to be not less than S\$5.5 million.

As at 30 June 2016, PTH has drawn down the full S\$5.0 million (2015: S\$1.5 million) of the RCL. Total interest receivable from the date of drawdown of the RCL to 30 June 2016 amounting to S\$466,151 has been fully received as at the date of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

**23 Related Parties Balances**

The amounts due from/to related parties (refer to Note 36 for the definition of related parties) comprised:

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Due from:				
– Subsidiaries (non-trade)	–	–	13,279,807	5,915,364 <sup>1</sup>
– Joint venture entities (trade)	79,297	46,494	–	–
– Joint venture entities (non-trade)	214,113	228,112	–	–
	<b>293,410</b>	274,606	<b>13,279,807</b>	5,915,364
Due to:				
– Subsidiaries (non-trade)	–	–	–	2,021,113 <sup>2</sup>
– Joint venture entities (trade)	–	989	–	–
	–	989	–	2,021,113

<sup>1</sup> 2015 included an amount due from APAC of S\$1,054,000.

<sup>2</sup> 2015 included an amount due to APAC of A\$1.9 million (approximately S\$2.0 million) which was secured by a charge of all monies which are acceptable to the Lender with a combined value of not less than A\$1.5 million, carries a 7% interest per annum and was repayable in full on maturity or extended as may be mutually agreed between the parties.

The above trade amounts due from/(to) are within normal trade credit terms of 30 – 90 days. The non-trade amounts are unsecured, interest-free and repayable on demand based on cash terms.

**24 Cash and Bank Deposits**

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Cash and bank balances	<b>5,722,517</b>	10,094,135	<b>632,170</b>	2,219,569

**25 Fixed Deposits and Other Investments**

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Fixed deposits (restricted)	<b>5,391,989</b>	5,371,447	<b>303,598</b>	300,000
Fixed deposits (unrestricted)	<b>5,398,448</b>	9,220,701	–	–
Fixed income investment	<b>200,000</b>	–	<b>200,000</b>	–
	<b>10,990,437</b>	14,592,148	<b>503,598</b>	300,000

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 25 Fixed Deposits and Other Investments (Continued)

### Fixed deposits

Fixed deposits bear interest ranging from 0.07% to 2.25% (2015: 0.07% to 2.73%) per annum and have maturity periods ranging from 1 to 12 months (2015: 1 to 12 months). The above restricted fixed deposits are pledged as security against bank overdrafts facility.

As at 30 June 2016, restricted fixed deposits included an amount of S\$303,598 (2015: S\$300,000) held in the name of one of the directors of the Company holding in trust for the Group.

### Fixed income investment

Fixed income investment of S\$200,000 (the "Investment Sum") earns a fixed noncumulative annual interest return of 7% payable every quarter beginning 1 March 2016 and maturing on 31 August 2017. The fixed income investment was subsequently terminated and shall be recovered in full by 1 December 2016.

## 26 Trade and Other Payables

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Trade payables	<b>1,206,637</b>	2,718,468	-	-
Other payables	<b>807,845</b>	1,082,070	<b>291,683</b>	137,159
Amount due to directors	<b>321,901</b>	-	<b>28,290</b>	-
Accrued operating expenses	<b>871,357</b>	2,030,112	<b>77,255</b>	137,388
	<b>3,207,740</b>	5,830,650	<b>397,228</b>	274,547

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

The amount due to directors is unsecured, interest-free and repayable on demand based on cash terms.

## 27 Bank Overdrafts

As at 30 June 2016, the Group has no outstanding bank overdrafts. During the financial year ended 30 June 2016, the effective interest rate for bank overdrafts that were utilised by the Group was 6.25% (2015: 6.25%) per annum.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 28 Borrowings

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
<i>Unsecured convertible notes:</i>				
Balance at 1 July	300,000	–	300,000	–
Convertible notes issued	14,000,000	7,500,000	14,000,000	7,500,000
Conversion to shares (Note 30)	(13,050,000)	(7,200,000)	(13,050,000)	(7,200,000)
Balance at 30 June	1,250,000	300,000	1,250,000	300,000
<i>Secured convertible notes:</i>				
Balance at 1 July	–	–	–	–
Convertible notes issued	3,500,000	–	3,500,000	–
Balance at 30 June	3,500,000	–	3,500,000	–
	4,750,000	300,000	4,750,000	300,000

**Unsecured convertible notes**

On 3 September 2014, the Company had entered into a subscription agreement with Premier Equity Fund (the “Subscriber”), a company incorporated in the Cayman Islands and Value Capital Asset Management Private Limited (the investment manager for the Subscriber) pursuant to which the Company will issue up to S\$35.0 million in aggregate principal amount of redeemable convertible notes due 2017 comprising two initial tranches of a principal amount of S\$10.0 million each and a final tranche of a principal amount of S\$15.0 million, on the terms and subject to the conditions of the subscription agreement. The convertible notes bear interest at a rate of 2.0% per annum and are unsecured.

The issue price of the convertible notes is 100% of the principal amount and may be converted into fully paid ordinary shares in the share capital of the Company at the option of the Subscriber on the terms and subject to the conditions of the subscription agreement. The conversion price is determined as 90% of the average of the traded volume weighted average prices per share for any three consecutive trading days as selected by the relevant registered noteholder during the 30 trading days immediately preceding the relevant conversion date on which shares were traded on the SGX-ST. Any convertible notes not converted will be redeemed by the Company at 100% of their principal amount at 36 months after the closing date for the first issue of the convertible notes.

During the financial year ended 30 June 2016, the Company issued convertible notes with principal amounts totalling S\$14.0 million (2015: S\$7.5 million) pursuant to the subscription agreement, and S\$13.05 million (2015: S\$7.2 million) of the outstanding convertible notes had been converted by the Subscriber into ordinary shares of the Company based on the terms of the subscription agreement (see Note 30).

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 28 Borrowings (Continued)

### Unsecured convertible notes (Continued)

Management has assessed that the fair value of the convertible option of the convertible notes issued was not material. Accordingly, no derivative has been recognised for the outstanding convertible notes during the financial year and as at 30 June 2016 (2015: Nil).

Subsequent to the financial year ended 30 June 2016, the Company issued an additional S\$1.0 million in aggregate of convertible notes to the Subscriber pursuant to the subscription agreement. As at the date of these financial statements, S\$1.35 million of the outstanding convertible notes (which include the S\$1.25 million of the outstanding convertible notes as at 30 June 2016) were converted into 1,440,476,185 ordinary shares of the Company based on the terms of the subscription agreement.

### Secured convertible notes

On 5 April 2016, the Company entered into a convertible note agreement with Financial Frontiers Pte. Ltd. ("FFPL"), a company incorporated in Singapore. The principal amount of the secured convertible note ("CN") is S\$3.5 million and bears interest at a rate of 8.0% per annum, to be paid in advance. The CN is ranked as a senior secured obligation of the Company under the convertible note agreement and has a first fixed charge over the Company's interest in shares of a subsidiary (Note 14(a)) and a first floating charge over all of the Company's undertakings and all its assets, both present and future, limited to the principal amount of the CN.

Under the terms of the convertible note agreement, the CN shall be convertible into fully paid ordinary shares in the share capital of the Company, subject to the mutual agreement by FFPL and the Company. The conversion price is determined as 90% of the fifteen day volume weighted average price of each ordinary share of the Company traded on the SGX-ST for the period immediately preceding the conversion date. Any CN not converted will be redeemed by the Company at 100% of the principal amount within 5 days of the maturity date. The maturity date of the CN is 180 days from the date of the convertible note agreement. Management is of the view that the equity conversion option in the CN has no significant value as it can only be exercised with the mutual agreement of both contracting parties.

Subsequent to the financial year ended 30 June 2016, the Company has renewed the convertible note agreement with FFPL whereby FFPL has agreed to extend the maturity date of the CN to 31 March 2017 on the same terms and conditions set out in the original agreement.



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 29 Finance Lease Obligations

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Minimum lease payments payable:				
Due not later than one year	10,437	10,446	-	-
Due later than one year and not later than five years	15,769	26,229	-	-
	<b>26,206</b>	36,675	-	-
Finance charges allocated to future years	(3,403)	(4,764)	-	-
Present value of minimum lease payments	<b>22,803</b>	31,911	-	-
<i>Classified as:</i>				
- Non-current	13,727	22,826	-	-
- Current	9,076	9,085	-	-

The effective interest rate of the finance lease obligations is 5.61% (2015: 5.61%) per annum.

## 30 Share Capital

	Group and Company			
	2016 Number of shares	S\$	2015 Number of shares	S\$
<i>Ordinary shares issued and fully paid:</i>				
Balance at 1 July	170,433,223	128,278,354	2,048,678,060	120,126,816
Settlement of debts due to Phillip Securities <sup>1</sup>	-	-	64,986,000	949,983
Shares awarded to employees under Magnus Energy PSP (Note 37(a))	1,358,520	9,781	35,061,000	350,610
Conversion from convertible notes (Note 28) <sup>2</sup>	-	-	1,302,139,152	3,600,000
Shares consolidation	-	-	(3,381,846,937)	-
Conversion of convertible notes (Note 28) <sup>3</sup>	3,739,820,996	13,050,000	101,415,948	3,600,000
Share issue expenses	-	(380,800)	-	(349,055)
Balance at 30 June	<b>3,911,612,739</b>	<b>140,957,335</b>	170,433,223	128,278,354

1 64,986,000 ordinary shares of the Company were issued as part of the repayment of debts due to Phillip Securities Pte Ltd ("Phillip Securities") in accordance with the terms of the repayment agreement.

2 before share consolidation.

3 after share consolidation.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 30 Share Capital (Continued)

The ordinary shares of the Company do not have a par value. The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

As a result of the share consolidation of every 50 existing issued ordinary shares into 1 ordinary share on 21 April 2015, the number of issued shares of the Group and Company had been reduced to 170,433,223 as at 30 June 2015.

## 31 Reserves

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Fair value reserve (a)	-	-	-	-
Translation reserve (b)	(8,254,285)	(8,005,215)	-	-
Accumulated losses	(99,120,724)	(82,592,047)	(111,551,405)	(107,214,289)
	<b>(107,375,009)</b>	<b>(90,597,262)</b>	<b>(111,551,405)</b>	<b>(107,214,289)</b>

### (a) Fair value reserve

The fair value reserve records the cumulative fair value change of available-for-sale financial assets until they are derecognised and/or impaired.

Movements of the Group's fair value reserve during the financial year are as follows:

	Group	
	2016 S\$	2015 S\$
Balance at 1 July	-	962,107
Fair value gain/(loss) on revaluation of available-for-sale financial assets	16,262	(1,922,942)
Impairment loss of available-for-sale financial assets reclassified to profit or loss	-	984,755
Deferred tax on fair value changes to available-for-sale financial assets	(2,764)	7,276
Foreign currency translation differences	(13,498)	(31,196)
Balance at 30 June	-	-

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

**31 Reserves** (Continued)**(b) Translation reserve**

The translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

Movements of the Group's translation reserve are as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$</b>	<b>S\$</b>
Balance at 1 July	<b>(8,005,215)</b>	(7,669,897)
Exchange difference arising on translation of foreign operations	<b>(249,070)</b>	(335,318)
Balance at 30 June	<b><u>(8,254,285)</u></b>	<b><u>(8,005,215)</u></b>

As at 30 June 2016, there is the cumulative loss of S\$4,898,000 for losses on translation of foreign operations included in the translation reserve relating to the APAC Group up to that date, which will be realised on completion of the Proposed Acquisition (Note 20).

**32 Commitments****(a) Operating lease commitments**

The Group leases certain of its office premises and other land/facilities under operating lease agreements. These leases contain renewable options and do not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Future minimum lease payments with initial or remaining lease terms of one year or more as at the statement of financial position date but not recognised as liabilities in the financial statements are as follows:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$</b>	<b>S\$</b>
Within 1 year	<b>312,489</b>	202,209
After 1 year to 5 years	<b>697,678</b>	460,494
After 5 years	<b>3,427,955</b>	3,355,781
	<b><u>4,438,122</u></b>	<b><u>4,018,484</u></b>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 32 Commitments (Continued)

### (b) Commitments

The Group has commitments contracted for as at the statement of financial position date but not recognised as liabilities in the financial statements as follows:

	Group	
	2016 S\$	2015 S\$
Construction of microalgae oil cultivation facility	14,177,000	–
Exploration expenditure in PRL 173 and 174	110,000	4,395,000
	<b>14,287,000</b>	<b>4,395,000</b>

Subsequent to the financial year ended 30 June 2016, approximately S\$3.3 million has been paid to AFE for the construction of the microalgae oil cultivation facility.

## 33 Warranty and Guarantees

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Product warranty	–	14,500	–	14,500
Bankers' guarantees	125,549	114,998	–	–

The Group has outstanding bankers' guarantees in respect of certain contracts entered into by certain subsidiaries. No loss is expected to arise from these guarantees.

## 34 Investigation into a Subsidiary (previously a Joint Venture Entity)

On 13 March 2013, the Company announced that it had been notified by the management of Mid-Continent Tubular Pte Ltd ("MTS"), a subsidiary (previously a joint venture entity) of the Group, that the Corrupt Practices Investigation Bureau of Singapore is conducting an investigation into MTS for plausible inappropriate gratification, which is an offence chargeable under Chapter 241 of the Prevention of Corruption Act. At the date of these financial statements, the directors of the Company are unable to assess the impact of the investigation on the Group as the investigation is still on-going.

## 35 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").

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 35 Assistance in the Investigations of the Commercial Affairs Department (Continued)

The CAD had requested for access to the following for the period from 1 July 2010 to 31 March 2014:

- (i) All accounting records;
- (ii) All minutes of meetings and resolutions;
- (iii) All corporate electronic data, information technology equipment and data storage devices belonging to Luke Ho Khee Yong ("Luke"), the Chief Executive Officer of the Company; and
- (iv) Any other relevant documents.

The Company had also been informed that Luke has been notified in the course of the investigations by the CAD that there have arisen reasonable grounds to believe that he has committed an offence under Section 197 of the SFA on false trading and market rigging and has been requested to assist the CAD in its investigations. Luke had indicated that he will fully cooperate with the CAD in its investigations.

The directors of the Company understand that the investigations may be protracted and until such time as the results of the investigations are provided, the employee who is assisting in the investigations shall continue to serve and function in respective roles in the Company.

The directors of the Company are of the opinion that the business and operations of the Group are not affected by the above investigations and the Company will continue to monitor the progress of the investigations.

## 36 Related Party Transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Company.
- (b) An entity is related to the Company if any of the following conditions apply:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 36 Related Party Transactions (Continued)

- (b) An entity is related to the Company if any of the following conditions apply: (Continued)
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of one third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.
  - (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
  - (viii) The entity or any member of a group of which it is a part, provides key management personnel services to the reporting entity.

### Transactions with related parties

	Group	
	2016 S\$	2015 S\$
<i>Joint venture entities:</i>		
– Sales	75,955	59,899
– Purchases	–	(130,658)
– Service fee income	25,941	–
<i>Others:</i>		
– Professional fees paid/payable to a firm in which a director has an interest	16,350	–
– Advances from a former director	–	55,000

Outstanding balances with related parties at the statement of financial position date are disclosed in Note 23.

### Key management personnel compensation

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Wages, salaries and bonuses	1,205,977	1,087,579	470,968	486,204
Defined contribution plans	61,454	39,637	33,924	14,750
Equity-settled share-based payments	7,359	290,190	7,359	290,190
Consultancy fees	285,067	332,626	–	–
	1,559,857	1,750,032	512,251	791,144

As at 30 June 2016, there are no outstanding share awards for directors and key management personnel (2015: 1,199,360 outstanding share awards).

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.

# NOTES TO THE FINANCIAL STATEMENTS

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## 37 Share Options and Share Awards

### (a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan

Magnus Energy ESOP and Magnus Energy PSP (collectively referred to as the “Share Schemes”) were approved by the shareholders of the Company at the Extraordinary General Meeting (“EGM”) held on 19 November 2007.

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

The Share Schemes shall continue in force at the discretion of the Committee, subject to a maximum period of 10 years commencing on the date on which the Share Schemes were adopted by the Company in the EGM held. 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 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 2016 and 2015. As at 30 June 2016 and 2015, there were no outstanding share options. There were also no discounted share options granted since the commencement of the scheme.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 37 Share Options and Share Awards (Continued)

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan  
(Continued)Share Awards

During the financial year ended 30 June 2016, there were no share awards granted under the Magnus Energy PSP.

During the financial year ended 30 June 2015, there were share awards granted to the non-executive directors of the Company and certain Group executives under the Magnus Energy PSP. These share awards grants to eligible participants fully paid ordinary shares of the Company upon the expiry of the prescribed vesting periods. The Committee has granted the share awards after taking into consideration of the loyalty and long term commitment of the non-executive directors of the Company and the Group executives.

The first tranche of the share awards was vested on 8 October 2014, and were issued to the eligible participants at a fair value of S\$0.010 per ordinary share based on the market value of the Company's shares as at that date. The remaining tranche of share awards was vested on 8 October 2015 and were issued to the eligible participants at a fair value of S\$0.0072 per ordinary share based on the market value of the Company's shares as at that date.

Details of the outstanding share awards granted to the eligible participants were as follows:

2016

<u>Eligible participants</u>	<u>Date of grant</u>	<u>As at 1.7.2015</u>	<u>Granted</u>	<u>Vested</u>	<u>Lapsed/ Cancelled</u>	<u>As at 30.6.2016</u>
<b>Number of shares</b>						
<u>Non-executive directors</u>						
Goh Boon Kok <sup>1</sup>	8.10.2014	138,680	–	(138,680)	–	–
Kushairi Bin Zaidel	8.10.2014	102,280	–	(102,280)	–	–
Seet Chor Hoon	8.10.2014	75,000	–	(75,000)	–	–
		315,960	–	(315,960)	–	–
<u>Group executives</u>						
Luke Ho						
Khee Yong	8.10.2014	844,800	–	(844,800)	–	–
Angeline Chow						
Yin Nei	8.10.2014	172,800	–	(172,800)	–	–
Other executives	8.10.2014	24,960	–	(24,960)	–	–
		<u>1,358,520</u>	<u>–</u>	<u>1,358,520</u>	<u>–</u>	<u>–</u>

<sup>1</sup> Resigned during the year.



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 37 Share Options and Share Awards (Continued)

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan  
(Continued)*Share Awards* (Continued)**2015**

Eligible participants	Date of grant	As at 1.7.2014	Granted	Vested	Lapsed/ Cancelled	Balance as at 30.6.2015	
						Before share consolidation	After share consolidation <sup>2</sup>
Number of shares							
<i>Non-executive directors</i>							
Goh Boon Kok	8.10.2014	–	10,401,000	(3,467,000)	–	6,934,000	138,680
Kushairi Bin Zaidel	8.10.2014	–	7,671,000	(2,557,000)	–	5,114,000	102,280
Seet Chor Hoon	8.10.2014	–	5,625,000	(1,875,000)	–	3,750,000	75,000
		–	23,697,000	(7,899,000)	–	15,798,000	315,960
<i>Group executives</i>							
Luke Ho							
Khee Yong	8.10.2014	–	63,360,000	(21,120,000)	–	42,240,000	844,800
Angeline Chow							
Yin Nei	8.10.2014	–	12,960,000	(4,320,000)	–	8,640,000	172,800
Other executives	8.10.2014	–	5,166,000	(1,722,000)	(2,196,000)	1,248,000	24,960
		–	105,183,000	(35,061,000)	(2,196,000)	67,926,000	1,358,520

<sup>2</sup> On 21 April 2015, the Company completed a share consolidation of every 50 existing issued ordinary shares into 1 consolidated ordinary share in the capital of the Company and the number of outstanding share awards has been adjusted for the effect of the share consolidation.

## (b) APAC Coal Employee Share Option Plan

A subsidiary of the Group, APAC Coal Limited (“APAC”), adopted the APAC Coal Employee Share Option Plan (“APAC ESOP”) in October 2007. In accordance with the provisions of the APAC ESOP, employees, directors and consultants may be granted options at the discretion of the directors of APAC. The purpose of the APAC ESOP is to retain and attract skilled and experienced employees, directors and consultants and provide them with the motivation to make APAC more successful. Each APAC ESOP converts into one ordinary share of APAC on exercise. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the directors of APAC subject to the total number of outstanding options being issued under the APAC ESOP not exceeding 5.0% of APAC’s issued share capital at any one time. The exercise price is calculated with reference to a formula contained within the rules governing the APAC ESOP and which rewards employees against the extent of APAC’s performance on the capital markets. Where appropriate the directors of APAC have established appropriate vesting conditions to incentivise employees to remain in the employment of APAC.

There were no share options granted since the commencement of the APAC ESOP.

# NOTES TO THE FINANCIAL STATEMENTS

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## 38 Segment Information

FRS 108 *Operating Segments* requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The basis of the Group's presentation of segment information is consistent with that used for internal reporting purposes. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market price. No operating segments have been aggregated to form the reportable segments below.

The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in Note 2(v). Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise finance income and expenses, finance lease obligations and borrowings, and income and deferred taxes.

### (a) Business segments

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

- Oilfield equipment supply and services
- Coal mining
- Waste water treatment
- Trading of renewable energy and natural resources
- 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

30 JUNE 2016

## 38 Segment Information (Continued)

## (a) Business segments (Continued)

	Oilfield equipment supply and services S\$	Coal mining (discontinued) S\$	Waste water treatment S\$	Trading of renewable energy and natural resources S\$	Investment holding S\$	Total S\$
<b>Group</b>						
<u>2016</u>						
<u>Segment revenue and results</u>						
External revenue	21,099,826	-	455,860	-	-	21,555,686
Loss from operations before interest, income tax, share of joint ventures profit and depreciation	(6,207,619)	(21,359,249)	(941,590)	-	(4,414,560)	(32,923,018)
Depreciation	(235,382)	(288)	(27,422)	-	(50,222)	(313,314)
Loss from operation before interest and income tax	(6,443,001)	(21,359,537)	(969,012)	-	(4,464,782)	(33,236,332)
Share of profit from joint ventures entities						121,611
Unallocated finance income						728,312
Unallocated finance costs						(131,262)
Loss before income tax						(32,517,671)
Unallocated income tax						6,078,071
Loss after income tax						(26,439,600)
<u>Segment assets and liabilities</u>						
Current assets	22,525,482	1	582,687	301,282	7,033,908	30,443,360
Property, plant and equipment	5,118,165	-	226,102	-	345,842	5,690,109
Intangible assets and goodwill	4,381,220	-	-	-	1,569,703	5,950,923
Other financial assets	36,592	-	-	-	7,803,837	7,840,429
Unallocated deferred income tax assets						208,187
Unallocated non-current assets						5,859,197
Consolidated assets						55,992,205
Current liabilities	2,197,021	-	569,934	-	5,190,785	7,957,740
Unallocated current and non-current liabilities:						
Finance lease obligations						22,803
Income tax liabilities						21,338
Deferred tax liabilities						1,759
Consolidated liabilities						8,003,640
<u>Other segment information</u>						
Capital expenditure	15,577	-	55,719	-	360,054	431,350
Other non-cash items**	(4,947,593)	(14,988,389)	(625,835)	-	(2,568,590)	(23,130,407)

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 38 Segment Information (Continued)

## (a) Business segments (Continued)

	Oilfield equipment supply and services S\$	Coal mining (discontinued) S\$	Trading of renewable energy and natural resources S\$	Investment holding S\$	Total S\$
<b>Group</b>					
<u>2015</u>					
<u>Segment revenue and results</u>					
External revenue	43,996,932	–	504,913	–	44,501,845
Profit/(Loss) from operations before interest, income tax, share of joint ventures profit and depreciation	487,810	(160,422)	20,756	(2,174,477)	(1,826,333)
Depreciation	(383,495)	(422)	–	(18,577)	(402,494)
Profit/(Loss) from operations before interest and income tax	104,315	(160,844)	20,756	(2,193,054)	(2,228,827)
Share of profit from joint ventures entities					227,467
Unallocated finance income					264,360
Unallocated finance costs					(134,300)
Loss before income tax					(1,871,300)
Unallocated income tax					(393,626)
Loss after income tax					(2,264,926)
<u>Segment assets and liabilities</u>					
Current assets	34,849,897	70,544	580,976	2,890,210	38,391,627
Property, plant and equipment	5,377,149	562	–	37,541	5,415,252
Intangible assets and goodwill	4,670,806*	21,803,876	–	1,569,703	28,044,385
Other financial assets	–	–	–	2,787,291	2,787,291
Unallocated deferred income tax assets					165,721
Unallocated non-current assets					2,277,476
Consolidated assets					77,081,752
Current liabilities	6,079,333	143,371	–	585,696	6,808,400
Unallocated current and non-current liabilities:					
Finance lease obligations					31,911
Income tax liabilities					465,314
Deferred tax liabilities					6,378,738
Consolidated liabilities					13,684,363
<u>Other segment information</u>					
Capital expenditure	118,115	–	–	9,411	127,526
Other non-cash items**	127,609	–	–	(496,435)	(368,826)

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

**38 Segment Information** (Continued)**(a) Business segments** (Continued)

\* PRL 173 and 174 is held under ME Australia and is currently a non-revenue and non-producing asset. The Group holds an effective interest of 11.2% in PRL 173 and 174. Management continues to report the asset under the oilfield equipment supply and services segment at least until PRL 173 and 174 enters into the production stage.

\*\* Other non-cash items mainly include the allowances and impairments and fair value adjustments (Note 5).

**(b) Geographical segments**

	Singapore S\$	Australia S\$	Malaysia S\$	Indonesia S\$	United States of America S\$	United Arab Emirates S\$	Others* S\$	Total S\$
<b>Group</b>								
<u>2016</u>								
Revenue	4,840,250	2,175,219	1,263,737	1,810,246	2,513,516	1,873,939	7,078,779	21,555,686
Non-current assets**	<u>6,252,225</u>	<u>4,743,800</u>	<u>–</u>	<u>224,615</u>	<u>420,392</u>	<u>–</u>	<u>859,197</u>	<u>12,500,229</u>
<u>2015</u>								
Revenue	10,682,084	4,696,725	3,749,385	2,955,043	6,330,344	4,956,498	11,131,766	44,501,845
Non-current assets**	<u>6,145,293</u>	<u>5,979,683</u>	<u>1,840</u>	<u>20,950,163</u>	<u>420,088</u>	<u>–</u>	<u>740,046</u>	<u>34,237,113</u>

\* Others includes different countries whose individual contribution is not more than 5%.

\*\* Non-current assets exclude other financial assets, other receivables and deferred tax assets of the segment.

Revenue is based on the location of customers regardless of where the goods are produced. Segment assets are based on the geographical location of those assets.

**(c) Information about Major Customers**

Included in revenues arising from oilfield equipment supply and services are revenues of approximately S\$1,154,000 (2015: S\$2,079,000) which arose from sales to the Group's largest customer.

**39 Financial Instruments**

The Group's and the Company's activities expose it to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Board of Directors of the Company provides guidelines for overall risk management. Management of the Group reviews and agrees on policies for managing the various financial risks.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (a) Market risk

*Currency risk*

The currency risk of the Group and the Company arises mainly from entities operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies, primarily Australian Dollar, United States Dollar and Sterling Pound, and as such are exposed to movements in foreign currency exchange rates. In addition to transactional exposures, the Group is also exposed to foreign exchange movement on its net investment in foreign subsidiaries.

The Group and the Company do not use derivative financial instruments to protect against the volatility associated with foreign currency transactions. However, management of the Group monitors the fluctuation in exchange rates closely to ensure that the exposure to the risk is kept at a minimal level.

The Group's currency exposure based on information provided to key management is as follows:

	United States Dollar S\$	Australian Dollar S\$	Singapore Dollar S\$	Sterling Pound S\$	Others S\$	Total S\$
<b>Group</b>						
<u>2016</u>						
<u>Financial assets</u>						
Other financial assets	–	15,602	5,921,090	1,903,737	–	7,840,429
Trade and other receivables (excluding prepayments and other taxes recoverable)	5,501,981	351,234	7,139,478	1,008,840	125,690	14,127,223
Related parties balances	494,315	1,385,340	12,864,789	–	214,113	14,958,557
Cash and bank deposits	3,170,587	1,363,939	1,134,457	–	53,534	5,722,517
Fixed deposits and other investments	4,317,801	3,826,239	2,846,397	–	–	10,990,437
Assets directly related to disposal group classified as held for sale	1	–	1,796,760	–	–	1,796,761
	<u>13,484,685</u>	<u>6,942,354</u>	<u>31,702,971</u>	<u>2,912,577</u>	<u>393,337</u>	<u>55,435,924</u>
<u>Financial liabilities</u>						
Trade and other payables	(1,666,579)	(125,391)	(1,311,854)	–	(103,916)	(3,207,740)
Related parties balances	(494,315)	–	(17,381,499)	–	–	(17,875,814)
Borrowings	–	–	(4,750,000)	–	–	(4,750,000)
Finance lease obligations	–	–	(22,803)	–	–	(22,803)
Liabilities directly related to disposal group classified as held for sale	–	(1,758,574)	–	–	–	(1,758,574)
	<u>(2,160,894)</u>	<u>(1,883,965)</u>	<u>(23,466,156)</u>	<u>–</u>	<u>(103,916)</u>	<u>(27,614,931)</u>
Currency exposure on net financial assets	11,323,791	5,058,389	8,236,815	2,912,577	289,421	27,820,993
Assets denominated in entities' functional currencies	(1,342,200)	(2,422,663)	(9,590,676)	–	(2,702)	(13,358,241)
Net currency exposure	<u>9,981,591</u>	<u>2,635,726</u>	<u>(1,353,861)</u>	<u>2,912,577</u>	<u>286,719</u>	<u>14,462,752</u>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (a) Market risk (Continued)

*Currency risk* (Continued)

The Group's currency exposure based on information provided to key management is as follows:

	United States Dollar S\$	Australian Dollar S\$	Singapore Dollar S\$	Sterling Pound S\$	Others S\$	Total S\$
<b>Group</b>						
<u>2015</u>						
<u>Financial assets</u>						
Other financial assets	–	–	22,417	2,764,874	–	2,787,291
Trade and other receivables (excluding prepayments and other taxes recoverable)	5,396,537	202,882	2,656,856	–	13,763	8,270,038
Related parties balances	517,908	2,021,113	5,443,950	–	228,112	8,211,083
Cash and bank deposits	5,212,574	2,050,478	2,752,249	–	78,834	10,094,135
Fixed deposits and other investments	5,357,148	6,614,060	2,620,940	–	–	14,592,148
	<u>16,484,167</u>	<u>10,888,533</u>	<u>13,496,412</u>	<u>2,764,874</u>	<u>320,709</u>	<u>43,954,695</u>
<u>Financial liabilities</u>						
Trade and other payables	(3,872,961)	(730,015)	(1,109,856)	–	(117,818)	(5,830,650)
Bank overdrafts	(676,761)	–	–	–	–	(676,761)
Related parties balances	(518,897)	(2,021,113)	(7,622,826)	–	–	(10,162,836)
Borrowings	–	–	(300,000)	–	–	(300,000)
Finance lease obligations	–	–	(31,911)	–	–	(31,911)
	<u>(5,068,619)</u>	<u>(2,751,128)</u>	<u>(9,064,593)</u>	<u>–</u>	<u>(117,818)</u>	<u>(17,002,158)</u>
Currency exposure on net financial assets	11,415,548	8,137,405	4,431,819	2,764,874	202,891	26,952,537
Assets denominated in entities' functional currencies	<u>(9,448,781)</u>	<u>(2,994,142)</u>	<u>(2,678,466)</u>	<u>–</u>	<u>(40,898)</u>	<u>(15,162,287)</u>
Net currency exposure	<u>1,966,767</u>	<u>5,143,263</u>	<u>1,753,353</u>	<u>2,764,874</u>	<u>161,992</u>	<u>11,790,250</u>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (a) Market risk (Continued)

*Currency risk* (Continued)

The Company's currency exposure based on the information provided to key management is as follows:

	United States Dollar S\$	Australian Dollar S\$	Singapore Dollar S\$	Total S\$
<b>Company</b>				
<u>2016</u>				
<u>Financial assets</u>				
Other financial assets	–	–	100	100
Trade and other receivables (excluding prepayments)	–	–	5,248,314	5,248,314
Related parties balances	494,315	–	12,785,492	13,279,807
Cash and bank deposits	2,535	–	629,635	632,170
Fixed deposits and other investments	–	–	503,598	503,598
Assets directly related to disposal group classified as held for sale	–	–	1,796,760	1,796,760
	496,850	–	20,963,899	21,460,749
<u>Financial liabilities</u>				
Trade and other payables	–	–	(397,228)	(397,228)
Borrowings	–	–	(4,750,000)	(4,750,000)
Liabilities directly related to disposal group classified as held for sale	–	(1,758,574)	–	(1,758,574)
	–	(1,758,574)	(5,147,228)	(6,905,802)
Currency exposure on net financial (liabilities)/assets	496,850	(1,758,574)	15,816,671	14,554,947
Assets denominated in entity's functional currency	–	–	(15,816,671)	(15,816,617)
Net currency exposure	496,850	(1,758,574)	–	(1,261,724)



## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (a) Market risk (Continued)

*Currency risk* (Continued)

	United States Dollar S\$	Australian Dollar S\$	Singapore Dollar S\$	Total S\$
<b>Company</b>				
<u>2015</u>				
<u>Financial assets</u>				
Other financial assets	–	–	1,489	1,489
Trade and other receivables (excluding prepayments)	–	–	321,645	321,645
Related parties balances	517,908	–	5,397,456	5,915,364
Cash and bank deposits	2,526	–	2,217,043	2,219,569
Fixed deposits and other investments	–	–	300,000	300,000
	520,434	–	8,237,633	8,758,067
<u>Financial liabilities</u>				
Trade and other payables	–	–	(274,547)	(274,547)
Related parties balances	–	(2,021,113)	–	(2,021,113)
Borrowings	–	–	(300,000)	(300,000)
	–	(2,021,113)	(574,547)	(2,595,660)
Currency exposure on net financial (liabilities)/assets	520,434	(2,021,113)	7,663,086	6,162,407
Assets denominated in entity's functional currency	–	–	(7,663,086)	(7,663,086)
Net currency exposure	520,434	(2,021,113)	–	(1,500,679)

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (a) Market risk (Continued)

*Currency risk* (Continued)

If the Australian Dollar, United States Dollar and Sterling Pound strengthen/weaken against the Singapore Dollar by 5% with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follows:

	2016		2015	
	Loss before income tax S\$	Increase/(Decrease) Equity S\$	Loss before income tax S\$	Equity S\$
<b>Group</b>				
Australian Dollar against Singapore Dollar				
– strengthened	(131,786)	131,786	(257,163)	257,163
– weakened	131,786	(131,786)	257,163	(257,163)
United States Dollar against Singapore Dollar				
– strengthened	(499,080)	499,080	(98,338)	98,338
– weakened	499,080	(499,080)	98,338	(98,338)
Sterling Pound against Singapore Dollar				
– strengthened	(145,629)	145,629	(138,244)	138,244
– weakened	145,629	(145,629)	138,244	(138,244)
<b>Company</b>				
Australian Dollar against Singapore Dollar				
– strengthened	87,929	(87,929)	101,056	(101,056)
– weakened	(87,929)	87,929	(101,056)	101,056
United States Dollar against Singapore Dollar				
– strengthened	(24,843)	24,843	(26,022)	26,022
– weakened	24,843	(24,843)	26,022	(26,022)

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (a) Market risk (Continued)

*Price risk*

The Group and the Company are exposed to equity securities market price risk from its investments which are classified in the statement of financial position as other financial assets. Certain of these financial instruments are quoted equity securities in United Kingdom and Singapore.

If prices for quoted equity securities listed in the countries mentioned above increase/(decrease) by 5% with all other variables including tax rates being held constant, the Group's and the Company's loss before tax will not be materially affected as most of these quoted equity securities are classified as available-for-sale financial assets. Instead, the Group's and the Company's equity will increase/(decrease) by the following amounts:

	2016 Equity S\$	2015 Equity S\$
<b>Group</b>		
Listed in United Kingdom:		
– increased by	52,416	65,425
– decreased by	(52,416)	(65,425)
Listed in Singapore:		
– increased by	5	74
– decreased by	(5)	(74)
<b>Company</b>		
Listed in Singapore:		
– increased by	5	74
– decreased by	(5)	(74)

*Interest rate risk*

The Group and the Company have cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group.

The Group and the Company obtain additional financing through borrowings and leasing arrangements. Information relating to the Group's and the Company's interest rate exposure is also disclosed in the notes on the Group's and the Company's borrowings (Note 28) and finance lease obligations (Note 29).

The tables below set out the Group's and the Company's exposures to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (a) Market risk (Continued)

*Interest rate risk* (Continued)

	Fixed rates		Non-interest bearing S\$	Total S\$
	Less than 1 year S\$	1 to 5 years S\$		
<b>Group</b>				
<u>2016</u>				
<u>Financial assets</u>				
Other financial assets	–	–	7,840,429	7,840,429
Trade and other receivables (excluding prepayments and other taxes recoverable)	301,282	5,000,000	8,825,941	14,127,223
Related parties balances	–	–	293,410	293,410
Cash and bank deposits	–	–	5,722,517	5,722,517
Fixed deposits and other investments	10,990,437	–	–	10,990,437
Total financial assets	<u>11,291,719</u>	<u>5,000,000</u>	<u>22,682,297</u>	<u>38,974,016</u>
<u>Financial liabilities</u>				
Trade and other payables	–	–	(3,207,740)	(3,207,740)
Borrowings	(4,750,000)	–	–	(4,750,000)
Finance lease obligations	(9,076)	(13,727)	–	(22,803)
Total financial liabilities	<u>(4,759,076)</u>	<u>(13,727)</u>	<u>(3,207,740)</u>	<u>(7,980,543)</u>
<u>2015</u>				
<u>Financial assets</u>				
Other financial assets	–	–	2,787,291	2,787,291
Trade and other receivables (excluding prepayments and other taxes recoverable)	–	1,500,000	6,770,038	8,270,038
Related parties balances	–	–	274,606	274,606
Cash and bank deposits	–	–	10,094,135	10,094,135
Fixed deposits and other investments	14,592,148	–	–	14,592,148
Total financial assets	<u>14,592,148</u>	<u>1,500,000</u>	<u>19,926,070</u>	<u>36,018,218</u>
<u>Financial liabilities</u>				
Trade and other payables	–	–	(5,830,650)	(5,830,650)
Bank overdrafts	–	(676,761)	–	(676,761)
Related parties balances	–	–	(989)	(989)
Borrowings	–	(300,000)	–	(300,000)
Finance lease obligations	(9,085)	(22,826)	–	(31,911)
Total financial liabilities	<u>(9,085)</u>	<u>(999,587)</u>	<u>(5,831,639)</u>	<u>(6,840,311)</u>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (a) Market risk (Continued)

*Interest rate risk* (Continued)

	Fixed rates		Non-interest bearing S\$	Total S\$
	Less than 1 year S\$	1 to 5 years S\$		
<b>Company</b>				
<u>2016</u>				
<u>Financial assets</u>				
Other financial assets	–	–	100	100
Trade and other receivables (excluding prepayments)	–	5,000,000	248,314	5,248,314
Related parties balances	–	–	13,279,807	13,279,807
Cash and bank deposits	–	–	632,170	632,170
Fixed deposits and other investments	503,598	–	–	503,598
Assets directly related to disposal group classified as held for sale	–	–	1,796,960	1,796,960
<b>Total financial assets</b>	<b>503,598</b>	<b>5,000,000</b>	<b>15,957,351</b>	<b>21,460,949</b>
<u>Financial liabilities</u>				
Trade and other payables	–	–	(397,228)	(397,228)
Borrowings	(4,750,000)	–	–	(4,750,000)
Liabilities directly related to disposal group classified as held for sale	(1,758,574)	–	–	(1,758,574)
<b>Total financial liabilities</b>	<b>(6,508,574)</b>	<b>–</b>	<b>(397,228)</b>	<b>(6,905,802)</b>
<u>2015</u>				
<u>Financial assets</u>				
Other financial assets	–	–	1,489	1,489
Trade and other receivables (excluding prepayments)	–	–	321,645	321,645
Related parties balances	–	–	5,915,364	5,915,364
Cash and bank deposits	–	–	2,219,569	2,219,569
Fixed deposits and other investments	300,000	–	–	300,000
<b>Total financial assets</b>	<b>300,000</b>	<b>–</b>	<b>8,458,067</b>	<b>8,758,067</b>
<u>Financial liabilities</u>				
Trade and other payables	–	–	(274,547)	(274,547)
Borrowings	(300,000)	–	–	(300,000)
Related parties balances	(2,021,113)	–	–	(2,021,113)
<b>Total financial liabilities</b>	<b>(2,321,113)</b>	<b>–</b>	<b>(274,547)</b>	<b>(2,595,660)</b>

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

### (b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company.

For trade and other receivables, the Group adopts the policy of dealing with customers of good financial standing and good credit rating based on professional credit reports.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statement of financial position.

The Group's and Company's major classes of financial assets are fixed deposits, cash and bank deposits and trade and other receivables.

#### *Financial assets that are neither past due nor impaired*

Fixed deposits, cash and bank deposits that are neither past due nor impaired are mainly cash with banks with high credit ratings assigned by international credit rating agencies. Trade and other receivables and amounts due from related parties that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

#### *Financial assets that are past due and/or impaired*

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The table below is an analysis of the Group's trade receivables as at the statement of financial position date:

	<b>Group</b>	
	<b>2016</b>	<b>2015</b>
	<b>S\$</b>	<b>S\$</b>
Not past due and not impaired <sup>1, 3</sup>	<b>1,554,799</b>	3,118,286
Past due but not impaired <sup>1, 3</sup>	<b>1,408,784</b>	3,087,582
Past due and impaired <sup>3</sup>	<b>173,160</b>	66,085
	<b>3,136,743</b>	6,271,953
Less: Allowance for impairment loss <sup>2</sup>	<b>(173,160)</b>	(66,085)
Trade receivables, net (Note 22)	<b>2,963,583</b>	6,205,868

<sup>1</sup> These amounts are stated before any allowance for impairment loss.

<sup>2</sup> Movements in the allowance for impairment loss during the financial year are set out in Note 22.

<sup>3</sup> Trade receivables are non-interest bearing and are not secured by any collateral except for an amount of S\$301,282 (2015: S\$519,758) due from a customer which has interest charged at 2% per month for the past due amount and is secured on certain plant and equipment of the customer.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (b) Credit risk (Continued)

*Financial assets that are past due and/or impaired* (Continued)

Aging of trade receivables that are past due but not impaired as at the statement of financial position date are as follows:

	Group	
	2016 S\$	2015 S\$
Not more than 3 months	505,374	2,735,767
3 to 6 months	217,320	351,815
Over 6 months <sup>4</sup>	686,090	–
	<u>1,408,784</u>	<u>3,087,582</u>

<sup>4</sup> Included in the past due amount were interests charged amounted to S\$109,979. Subsequent to the financial year ended 30 June 2016, the past due amount was fully recovered from the customer and the Group has waived partial of the interests charged.

## (c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and cash equivalents and having an adequate amount of committed credit facilities to enable them to meet their normal operating obligations and commitments.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount S\$	Contractual cash flows S\$	Within one year S\$	Within two to five years S\$
<b>Group</b>				
<u>2016</u>				
Trade and other payables	3,207,740	3,207,740	3,207,740	–
Borrowings	4,750,000	4,750,000	4,750,000	–
Finance lease obligations	22,803	26,206	10,437	15,769
	<u>7,980,543</u>	<u>7,983,946</u>	<u>7,968,177</u>	<u>15,769</u>
<u>2015</u>				
Trade and other payables	5,830,650	5,830,650	5,830,650	–
Bank overdrafts	676,761	676,761	676,761	–
Related parties balances	989	989	989	–
Borrowings	300,000	300,000	300,000	–
Finance lease obligations	31,911	36,675	10,446	26,229
	<u>6,840,311</u>	<u>6,845,075</u>	<u>6,818,846</u>	<u>26,229</u>

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (c) Liquidity risk (Continued)

	Carrying amount S\$	Contractual cash flows S\$	Within one year S\$	Within two to five years S\$
<b>Company</b>				
<u>2016</u>				
Trade and other payables	397,228	397,228	397,228	–
Borrowings	4,750,000	4,750,000	4,750,000	–
Liabilities directly related to disposal group classified as held for sale	1,758,574	1,758,574	1,758,574	–
	<u>6,905,802</u>	<u>6,905,802</u>	<u>6,905,802</u>	<u>–</u>
<u>2015</u>				
Trade and other payables	274,547	274,547	274,547	–
Related parties balances	2,021,113	2,021,113	2,021,113	–
Borrowings	300,000	300,000	300,000	–
	<u>2,595,660</u>	<u>2,595,660</u>	<u>2,595,660</u>	<u>–</u>

## (d) Capital risk

The Group's objectives when managing capital are:

- (i) To safeguard the Group's ability to continue as a going concern; and
- (ii) To support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to maintain an optimal capital structure so as to maximise shareholders' value, taking into consideration the future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. The Group's overall strategy remains unchanged from the previous financial year.

The Group monitors capital based on a net debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total financial liabilities less cash and bank deposits. Total equity comprises all components of equity attributable to equity holders of the Company.

	Group		Company	
	2016 S\$	2015 S\$	2016 S\$	2015 S\$
Net debt/(cash)	<b>2,258,026</b>	(3,253,824)	<b>6,273,632</b>	376,091
Total equity	<b>33,582,326</b>	37,681,092	<b>29,405,930</b>	21,064,065
Net debt to equity	<b>6.72%</b>	N.M	<b>21.34%</b>	1.79%

N.M. – Not meaningful as the Group had net cash as at the end of the financial year ended 30 June 2015.

The Group and the Company is not subject to any external capital requirements during the current and previous financial years.



# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

### (e) Fair value of financial instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The Financial Controller of the Company is responsible to determine the appropriate valuation technique and inputs for fair value measurements. The Financial Controller reports to the Board of Directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

*Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosure is required)*

Management estimates that the fair value of the RCL (disclosed under other receivables in Note 22) is not materially different to its carrying amount as the RCL bear interest that approximate market interest rates.

Management estimates that the fair value of the convertible loans (disclosed under borrowings in Note 28) is not materially different to their carrying amount due to the relatively short-period of holding by the Subscriber or the short-term maturity of the convertible loans.

Management estimates that the fair value of the finance lease obligations is not materially different to the present value of payments as shown in Note 29.

The fair values of other financial assets and financial liabilities with a maturity of less than one year, which are primarily fixed deposits and other investments, cash and bank deposits, trade and other receivables (excluding prepayments and other taxes recoverable), trade and other payables, bank overdrafts, amounts due from/(to) related parties approximate their carrying amounts due to the relatively short-term maturity of these financial instruments.

## NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

## (e) Fair value of financial instruments (Continued)

*Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis*

The following table presents the financial assets and financial liabilities measurement at fair value as at the statement of financial position date by level of the fair value hierarchy:

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
<b>Group</b>				
<u>2016</u>				
<i>Available-for-sale financial assets:</i>				
– Road Projects	–	–	1,900,000	1,900,000
– Joint Investment*	–	–	1,407,500	1,407,500
– Dam Project	–	–	4,000,000	4,000,000
– Quoted equity shares	1,940,429	–	–	1,940,429
	<u>1,940,429</u>	<u>–</u>	<u>7,307,500</u>	<u>9,247,929</u>
<u>2015</u>				
<i>Available-for-sale financial assets:</i>				
– Quoted equity shares	2,786,123	–	–	2,786,123
<i>Financial assets held for trading:</i>				
– Quoted warrants	1,168	–	–	1,168
	<u>2,787,291</u>	<u>–</u>	<u>–</u>	<u>2,787,291</u>

\* Before impairment.

The available-for-sale financial assets classified under Level 3 in the fair value measurement hierarchy have been determined by using discounted cash flow method to capture the present value of the expected future economic benefits to be derived from these investments. The movement in fair value arising from reasonably possible changes to the expected future economic benefits to be derived from the investments is assessed to be insignificant.

The fair values of quoted equity share investments traded in active markets are based on quoted market prices as at the statement of financial position date. The quoted market prices used for the quoted equity shares and warrants held by the Group are the closing prices as at the statement of financial position date. These available-for-sale financial assets are classified under Level 1 in the fair value measurement hierarchy.

There were no transfers between Level 1 and 2 during the current and the previous financial years.

# NOTES TO THE FINANCIAL STATEMENTS

30 JUNE 2016

## 39 Financial Instruments (Continued)

### (e) Fair value of financial instruments (Continued)

*Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis* (Continued)

Impairment loss recognised during the financial year on available-for-sale financial assets are disclosed in Note 19(b) and 19(d).

## 40 Subsequent Events

Other than disclosed elsewhere in these financial statements, the following events occurred subsequent to the financial year ended 30 June 2016:

- (a) Mid-Continent Equipment (Australia) Pty Ltd ("ME Australia"), a subsidiary of the Group, entered into an agreement to acquire a freehold property located at 8 Industry Road, Gatton, Queensland, Australia from third parties for a cash consideration of A\$650,000. The property is for ME Australia's own use. The acquisition has been completed as at the date of these financial statements.
- (b) The Company proposed to extend the duration of the Magnus ESOP and Magnus PSP and for a further period of 10 years and to amend certain terms of the Share Schemes.

The new shares in the capital of the Company issued and/or issuable in respect of the options granted under the Magnus ESOP or awards granted under the Magnus PSP, and the aggregate number of shares that may be issued under the Share Schemes and any other share option or share scheme of the Company then in force, shall not exceed 15% of the total number of issued shares of the Company from time to time.

The proposed extension and amendment(s) of each of the Share Schemes is subject to the approval of the shareholders of the Company at an extraordinary general meeting to be convened.

## 41 Authorisation of Financial Statements

The financial statements for the financial year ended 30 June 2016 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

# SHAREHOLDERS' INFORMATION

AS AT 23 SEPTEMBER 2016

## STATISTICS OF SHAREHOLDINGS

Number of Shares	:	5,129,866,703
Issued and fully paid-up capital	:	S\$142,837,190.9965
Class of shares	:	Ordinary shares
Voting rights	:	One vote per ordinary share
Treasury Shares	:	Nil

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 23 SEPTEMBER 2016

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	853	8.60	49,118	0.00
100 – 1,000	4,385	44.23	2,316,051	0.04
1,001 – 10,000	3,040	30.66	10,576,817	0.21
10,001 – 1,000,000	1,284	12.95	314,868,457	6.14
1,000,001 AND ABOVE	353	3.56	4,802,056,260	93.61
<b>Total</b>	<b>9,915</b>	<b>100.00</b>	<b>5,129,866,703</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Lee Chin Cheh	680,000,000	13.26	75,000,000 <sup>(1)</sup>	1.46

### Note:

<sup>(1)</sup> Mr Lee Chin Cheh is deemed to be interested in 75,000,000 ordinary shares held under the name of RHB Securities Singapore Pte Ltd.

## SHAREHOLDERS' INFORMATION

AS AT 23 SEPTEMBER 2016

## TWENTY LARGEST SHAREHOLDERS

AS AT 23 SEPTEMBER 2016

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES	%
1	LEE CHIN CHEH	680,000,000	13.26
2	MAYBANK KIM ENG SECURITIES PTE LTD	232,150,736	4.53
3	DBS VICKERS SECURITIES (S) PTE LTD	219,065,580	4.27
4	PHILLIP SECURITIES PTE LTD	176,383,199	3.44
5	OCBC SECURITIES PRIVATE LTD	168,716,999	3.29
6	CITIBANK NOMINEES SINGAPORE PTE LTD	153,329,040	2.99
7	DBSN SERVICES PTE LTD	133,000,000	2.59
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	129,262,792	2.52
9	UOB KAY HIAN PTE LTD	120,002,720	2.34
10	ANG POON BENG	100,000,000	1.95
11	LEE FONG	100,000,000	1.95
12	LIM HENG HUNG	100,000,000	1.95
13	TAN THIAM CHYE	100,000,000	1.95
14	YAN HOCK CHUAN	90,000,000	1.75
15	RHB SECURITIES SINGAPORE PTE LTD	87,629,600	1.71
16	PAUL GO KIAN LEE	70,100,000	1.37
17	CIMB SECURITIES (SINGAPORE) PTE LTD	61,534,440	1.20
18	HEN SHENG INVESTMENTS PTE LTD	60,000,000	1.17
19	AW YONG WEE	50,000,000	0.97
20	NG SENG LIN	50,000,000	0.97
	TOTAL	2,881,175,106	56.17

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 23 September 2016, approximately 85.06% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual Section B: Rules of Catalyst issued by the SGX-ST is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAGNUS ENERGY GROUP LTD. (the “**Company**”) will be held at Village Hotel Katong, 25 Marine Parade Road, Singapore 449536, Saffron Ballroom at Level 4 on Monday, 31 October 2016 at 10:00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the audited financial statements of the Company for the financial year ended 30 June 2016 together with the Directors’ Statement and Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Regulations 78 and 96(2) of the Constitution of the Company:
  - (i) Mr Ong Sing Huat [Retiring under Regulation 78] **(Resolution 2)**
  - (ii) Mr Kushairi Bin Zaidel [Retiring under Regulation 96(2)] **(Resolution 3)**

Mr Ong Sing Huat shall, upon re-election as Director of the Company, remain as a member of the Audit, Remuneration and Nominating Committees. Mr Ong will be considered non-independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited.

Mr Kushairi Bin Zaidel shall, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Mr Zaidel will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.
3. To approve the payment of additional Directors’ fees of S\$21,330 for the financial year ended 30 June 2016 (2015: S\$89,300).  
[See Explanatory Note (i)] **(Resolution 4)**
4. To approve the payment of Directors’ fees of S\$131,875 for the financial year ending 30 June 2017, to be paid quarterly in arrears (2016: S\$86,100). **(Resolution 5)**
5. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

### 7. **Ordinary Resolution: Authority to allot and issue shares (the “Share Issue Mandate”)**

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the “**Companies Act**”), and Rule 806 of the Catalist Rules, the Directors of the Company be authorised and empowered to issue:

- (a) shares in the capital of the Company whether by way of rights, bonus or otherwise; or

## NOTICE OF ANNUAL GENERAL MEETING

- (b) convertible securities; or
- (c) additional convertible securities arising from adjustments made to the number of convertible securities previously issued in the event of rights, bonus or capitalisation issues; or
- (d) shares arising from the conversion of the securities in (b) and (c) above,

at any time during the continuance of this authority or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) shall not exceed hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, approving the mandate after adjusting for:
  - (a) new shares arising from the conversion or exercise of any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and
  - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

**(Resolution 7)**

# NOTICE OF ANNUAL GENERAL MEETING

## 8. Ordinary Resolution: Authority to issue shares under the Magnus Energy Employee Share Option Plan

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Magnus Energy Employee Share Option Plan (the “**Magnus Energy ESOP**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Magnus Energy ESOP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Magnus Energy ESOP and the Magnus Energy Performance Share Plan (as defined below) collectively shall not exceed five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 8)**

## 9. Ordinary Resolution: Authority to issue shares under the Magnus Energy Performance Share Plan

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards pursuant to the Magnus Energy Performance Share Plan (the “**Magnus Energy PSP**”) and to allot and issue and/or transfer from time to time such number of shares as may be required to be issued pursuant to the vesting of awards under the Magnus Energy PSP, provided that the aggregate number of shares to be allotted and issued pursuant to the Magnus Energy ESOP and the Magnus Energy PSP collectively shall not exceed five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

**(Resolution 9)**

By Order of the Board

Ong Sing Huat  
Chow Yin Nei Angeline  
Company Secretaries

Singapore, 14 October 2016



# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) The Ordinary Resolution 4 proposed in item 3 above. Directors' fees are approved in advance. The directors' fees for the financial year ended 30 June 2016 ("FY 2016 directors' fees") were approved at the last annual general meeting held on 29 October 2015.

The additional directors' fees arise from fees payable to new appointment of a director and for an additional general meeting held during the financial year after approval of the FY 2016 directors' fees.

- (ii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will authorise and empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company.

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting whichever is earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Magnus Energy ESOP and Magnus Energy PSP up to a number not exceeding in aggregate (for the entire duration of the Magnus Energy ESOP) five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (iv) The Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the Company pursuant to the vesting of awards under the Magnus Energy PSP granted or to be granted under the Magnus Energy ESOP and the Magnus Energy PSP up to a number not exceeding in total (for the entire duration of the Scheme) five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

## Notes on Annual General Meeting:

- (a) A Member (other than a relevant intermediary) entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where a Member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a Member of the Company.
- (b) Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.
- (c) "Relevant intermediary" has the meaning ascribed to it in Section 181(6) of the Companies Act.
- (d) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy, if no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second proxy as an alternate to the first named.
- (e) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

# NOTICE OF ANNUAL GENERAL MEETING

- (f) The instrument appointing a proxy must be completed and deposited at the Registered Office of the Company at 76 Playfair Road #02-02 LHK 2 Building Singapore 367996 not less than forty-eight (48) hours before the time appointed for holding the Meeting.
- (g) A Depositor shall not be regarded as a member of the Company entitled to attend and vote at the Meeting unless his name appears on the Depository Register maintained by The Central Depository (Pte) Limited not less than 72 hours before the time appointed for the Meeting.
- (h) An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CDP and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

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*This Notice has been prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this Notice.*

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

*The contact person for the Sponsor is Mr Bernard Lui whose details are set out below:  
Tel: 6389 3000 Email: [bernard.lui@morganlewis.com](mailto:bernard.lui@morganlewis.com)*

## **Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# MAGNUS ENERGY GROUP LTD.

Company Registration No. 198301375M  
(Incorporated In the Republic of Singapore)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore ("**Companies Act**"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the Annual General Meeting.
2. This Proxy Form is not valid for use by CPF and/or SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF and/or SRS investors should contact their respective CPF and/or SRS Approved Nominees for any queries they may have with regard to their appointment as proxies.

### PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 October 2016.

\*I/We, \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a \*member/members of MAGNUS ENERGY GROUP LTD. (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing \*him/them, the Chairman of the Meeting as \*my/our proxy/proxies to vote for \*me/us on \*my/our behalf on a poll, at the Annual General Meeting (the "**Meeting**") of the Company to be held at Village Hotel Katong, 25 Marine Parade Road, Singapore 449536, Saffron Ballroom at Level 4 on Monday, 31 October 2016 at 10:00 a.m. and at any adjournment thereof. \*I/We direct \*my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the \*proxy/proxies will vote or abstain from voting at \*his/her discretion.

No.	Resolutions relating to:	Number of votes For <sup>(1)</sup>	Number of votes Against <sup>(1)</sup>
<b>As Ordinary Business</b>			
1.	Adoption of Audited Financial Statements together with the Directors' Statement and Auditors' Report of the Company for the financial year ended 30 June 2016		
2.	Re-election of Mr Ong Sing Huat as a Director		
3.	Re-election of Mr Kushairi Bin Zaidel as a Director		
4.	Approval of additional Directors' fees of S\$21,330 for the year ended 30 June 2016		
5.	Approval of Directors' fees of S\$131,875 for the year ending 30 June 2017, to be paid quarterly in arrears		
6.	Re-appointment of Moore Stephens LLP as Auditors		
<b>As Special Business</b>			
7.	Authority to allot and issue shares		
8.	Authority to issue shares under the Magnus Energy Employee Share Option Plan		
9.	Authority to issue shares under the Magnus Energy Performance Share Plan		

<sup>(1)</sup> If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2016

\_\_\_\_\_  
Signature of Member(s)  
or, Common Seal of Corporate Shareholder

\* Delete where inapplicable

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

**Notes to Proxy Form:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, (Cap. 289) of Singapore), you should insert that number of Shares under CDP Register. If you have shares registered in your name in the Register of Members, you should insert that number of Shares under Register of Members. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding to be represented by each proxy shall be specified in the proxy form. A proxy need not be a member of the Company.
3. Where a member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting, but each such proxy must be appointed to exercise the rights attached to a different shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

"relevant intermediary" means:

- (a) a banking corporation licenced under the Banking Act, Cap. 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 (Cap. 289) and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, of the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.
5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
  6. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 76 Playfair Road, #02-02 LHK 2 Building, Singapore 367996 not less than forty-eight (48) hours before the time appointed for the Meeting.
  7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised.
  8. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
  9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act.
  10. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CDP and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 October 2016.





**MAGNUS ENERGY GROUP LTD.**

76 Playfair Road #02-02  
LHK 2 Building  
Singapore 367996