2014

ANNUAL REPORT

MAGNUS ENERGY GROUP LTD.

CONTENTS

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**"). 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@stamfordlaw.com.sg

CORPORATE PROFILE

Incorporated in 1983, Magnus Energy Group Ltd. (**“Magnus”** or the **“Company”**) was established as a sub-contractor undertaking electrical installations, and has taken significant strides in its transformation from an M&E company to an energy-related company with businesses involving oil and gas equipment distribution and coal mining activities in the Asia-Pacific.

The key driver of this transformation was the acquisition of Mid-Continent Equipment Group Pte. Ltd in 2004 that marked Magnus’ maiden venture into the oil and gas supply industry.

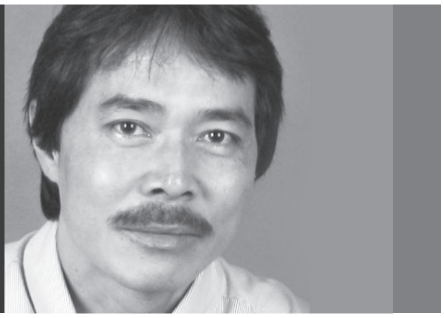
Magnus is positioning itself to be a leading regional producer of energy in addition to oil and gas equipment distribution in the Asia-Pacific region. The Company continually and concurrently looks to diversify its energy business activities to broaden its earnings base and re-engineer itself to explore new opportunities globally.

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.

In August 2013, Magnus has taken a further step into coal mining by taking a minority stake in GCM Resources plc, a company listed in London Alternative Investment Market.

Magnus shall continue to expand its existing capabilities and to remain primarily involved in energy-related activities.

CHAIRMAN'S STATEMENT



Kushairi Bin Zaidel
Chairman, Independent Non-Executive Director

DEAR SHAREHOLDERS,

Amid a dynamic, competitive business landscape, the Group has had a busy year with its marketing outreach, focused inventory management and capital raising initiatives. In the Asia-Pacific markets we operate in, the demand for energy and energy exploration activities remained relatively strong. Regional economies exhibited resilience despite uneven growth from China and a slow recovery in the major developed economies.

FINANCIAL HIGHLIGHTS

With this resilient environment, the Group's revenue saw a moderate decrease by 1.9% from S$50.8 million for FY2013 to S$49.8 million for FY2014. This decrease was due to lower activities in tubular sales as we wound down certain business units in our oilfield equipment supplies and services segment and a decrease in project sales over the year. The increase in cost of sales by 0.9% from S$39.9 million for FY2013 to S$40.2 million in FY2014 has affected our gross profit which decreased by 12.2% from S$11.0 million for FY2013 to S$9.6 million for FY2014. With the sale of tubular inventories at prices below cost, gross margin decreased from 21.6% for FY2013 to 19.3% for FY2014. This one-off sale was in line with our aim to wind down certain business units.

Over the year in review, expenses increased by S$7.8 million from S$12.6 million for FY2013 to S$20.4 million for FY2014, mainly contributed by unrealised exchange loss of S$0.5 million and losses in trading of other financial assets of S$8.8 million. Administrative expenses have decreased by S$0.9 million from S$10.7 million for FY2013 to S$9.8 million over the year in review.

In sum, we booked a net loss of S$8.0 million for FY2014 compared with a net profit of S$3.6 million for FY2013. The net loss over FY2014 was mainly attributable to the increase in other operating expenses, otherwise our oilfield equipment supply and services segment remained profitable for FY2014.

On a per share basis, earnings per share for FY2014 amounted to a loss of 0.398 cents compared with a gain of 0.72 cents in FY2013. Net asset value per ordinary share for the financial year ended 30 June 2014 was 1.63 cents, compared with 3.96 cents on 30 June 2013.

OPERATIONAL HIGHLIGHTS

Oilfield Equipment Supply and Services

We maintain our positive outlook for the Oilfield Equipment Supply and Services segment even though revenue has reduced marginally. We have restructured some of our business units and growth plans are underway.

Portfolio Investments

As part of our portfolio investment strategy to invest in companies with complementary business models, we continue to hold a 15% equity stake in GCM Resources plc ("**GCM**"), which we invested GBP (British Pounds) 1.87 million (about S$3.7 million). GCM is a London Alternative Investment Market-listed company which has identified a large coal mine in the Phulbari region of Dinajpur District, Bangladesh. This mine has an estimated reserve of 572 million tonnes of high-quality bituminous coal. GCM is awaiting approval from the Government of Bangladesh to develop the mine.

The Group has a 20% participating interest in Petroleum Exploration License 101 ("**PEL101**"), Cooper Basin, South Australia. Exploration activities are ongoing and we anticipate positive news from the exploration results.

Strengthening Our Capital Base

To strengthen our balance sheet and broaden our shareholder base, the Group has entered into an agreement with Premier Equity Fund to raise S$35 million, to fund new investments and expansion plans. However, this is conditional upon obtaining your approval in a general meeting. Due in 2017, these redeemable convertible notes ("**Notes**") bear an interest of 2.0% per annum.

OUTLOOK AND STRATEGY

As we move forward, we anticipate growth opportunities and must be agile enough with adequate financial resources to seize them while managing any attendant risks. Our issuance of the Notes helps prepare us for the dynamic opportunities in the burgeoning energy sector. Over the next year, we believe prospects remain resilient and are as such cautiously optimistic. The International Monetary Fund, in its July 2014 World Economic Outlook update, projects that the world economy is slowly on the mend and 2015 should see higher growth than 2014. As the recovery in developed economies gathers pace, the ripple effects for emerging markets such as the Asia-Pacific region should be positive with encouraging demand for energy.

Entering the new financial year, the Asia-Pacific region will remain our main area of operations and we aim to build on our presence and lucrative networks in the oil and gas equipment distribution business. Aside from Australia and Indonesia where we have an established presence, we will broaden our purview to other emerging markets in Asia. Building on this core oil and gas equipment distribution business, we aim to widen and update our product range, using an indentation tactic based on customer orders. This will keep our balance sheet light, and our customer servicing up to date and tailored to customer requirements. Meanwhile, we will re-deploy our capital towards new opportunities while divesting non-performing businesses.

We will continue to develop our processing capabilities in environmental and waste management services in Malaysia and India to generate sales through our processing services as well as sale of processing equipment.

To enhance long-term sustainability in our development, we aim to diversify our business model through portfolio investment management, expand our oil and gas supplies and services and engage in value acquisition in the upstream energy segment. We look forward to mergers and acquisitions to deepen and broaden our Group's range of services and strengthen our fundamental value.

CONCLUSION

In the year in review, the Board underwent some changes. In June 2014, Datuk Idris Bin Abdullah@ Das Murthy resigned as Chairman of the Board and Independent Non-Executive Director due to his increasing professional and family commitments in East Malaysia. Mr Koh Teng Kiat resigned as Executive Director and Chief Operating Officer in May 2014 to pursue his personal ventures and business. Mr Lim Kuan Yew, who is our Managing Director has relinquished his role in September 2014 due to overwhelming commitments in Malaysia. I have taken over as Chairman of the Board on 1 July 2014. At the same time, Mr Luke Ho Khee Yong, who is the Chief Financial Officer, has assumed the role of interim Chief Executive Officer.

Recently, in August 2014, Ms Seet Chor Hoon was appointed Independent Non-Executive Director and Chairman of the Remuneration Committee. Ms Seet has also been appointed a member of the Audit and Nominating Committees. On behalf of the Board, we would like to thank Datuk Idris, Mr Lim and Mr Koh for their contributions and welcome Ms Seet on board. Her prior experience as a business owner and senior manager puts her in good stead and we look forward to her participation in the long-term growth of the Group.

As we enter a new chapter, our Board would like to reiterate our belief in the importance of effective corporate governance in the furtherance of long-term growth for Magnus. Our Board is accountable to shareholders and we remain committed to the principles and guidelines of the Code of Corporate Governance 2012. Along those lines, our current Board has three members, all of which are independent non-executive directors. We continue to have active participation of the executive officers of our principal subsidiaries in our Board meetings and our Board has direct access to subsidiaries through their representatives.

The Group has also established a risk management policy and engaged external professionals to assist the management in establishing an ongoing system to communicate, monitor and evaluate risk management processes, related policies and procedures. We have a rolling 3-year risk-based internal audit plan based on the findings of a risk assessment exercise carried out during the financial year ended 30 June 2013. These measures are part and parcel of our practices at Magnus to aspire to strong corporate governance.

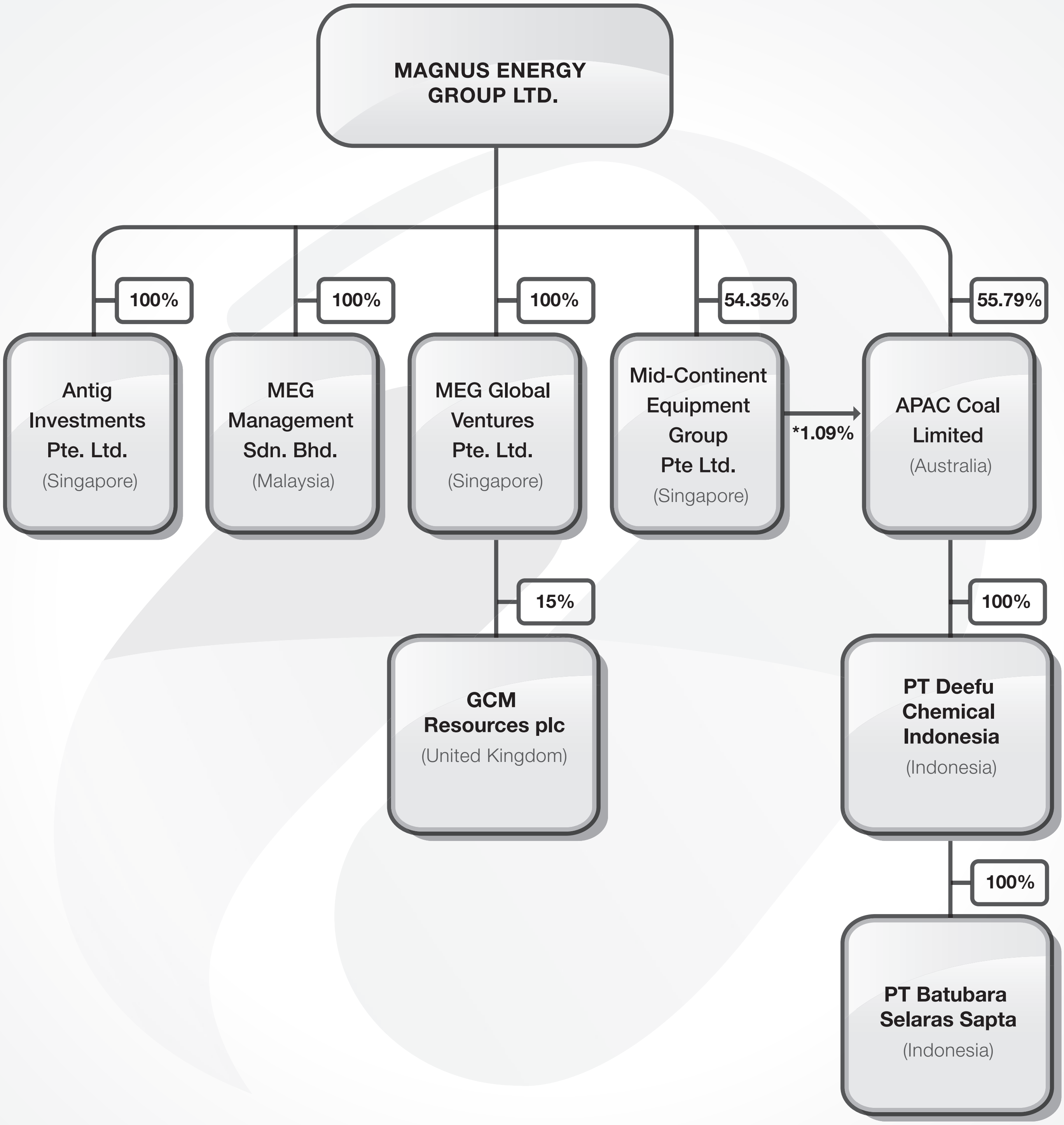
In conclusion, on behalf of the Board, we would like to thank our directors, management and staff as well as business partners, for their effort, support and counsel. Most importantly, we would also like to extend our utmost gratitude to shareholders for your ongoing support and look forward to the year ahead.

Kushairi Bin Zaidel
Chairman, Independent Non-Executive Director

FINANCIAL HIGHLIGHTS

	2014	2013	2012
Turnover (S$'000)	**49,830**	50,818	48,296
Net Asset Value per Share (Cents)	**1.63**	3.96	3.79
Profit/(Loss) before Taxation (S$'000)	**(7,502)**	4,594	(345)
Total Profit/(Loss) after income tax attributable to Equity Holders of the Company (S$'000)	**(8,147)**	1,623	(684)
Basic Earnings/(Losses) per Share (Cents)	**(0.398)**	0.079	(0.033)
TURNOVER BY BUSINESS ACTIVITIES			
Oilfield Equipment Supply and Services	**49,830**	50,818	48,296

GROUP STRUCTURE



Details of subsidiaries and associates under Mid-Continent Equipment Group Pte Ltd. are disclosed under Notes 14, 15 and 16 of this Annual Report.

* % Shareholding held by Magnus

BOARD OF DIRECTORS

MR KUSHAIRI BIN ZAIDEL
Independent Non-Executive Director

Date of first appointment: 05 November 2012 | **Date of last re-election as a director:** 29 October 2013

MR ZAIDEL joined the Board as an Independent Non-Executive Director in November 2012 and was appointed the Chairman of Magnus in July 2014. He is also the Chairman of the Nominating Committee and 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 an Independent Non-Executive Director of Kuantan Flour Mills Bhd., a company listed on Bursa Malaysia. He is also a Board Member of Mid-Continent Equipment Group Pte Ltd., subsidiary of Magnus.

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

MR GOH BOON KOK
Independent Non-Executive Director

Date of first appointment: 01 June 2004 | **Date of last re-election as a director:** 29 October 2013

MR GOH has been an Independent Non-Executive Director of Magnus since June 2004. He is also the Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee.

Mr Goh is a Certified Public Accountant who runs his own practice, Messrs Goh Boon Kok & Co. Prior to that, he has over 14 years of experience in both public and private sectors, including the Inland Revenue Authority of Singapore, Economic Development Board, a locally listed shipyard and USA-based multinational pharmaceutical company. Mr Goh is also an independent non-executive director of several companies listed on the SGX-ST, namely, Super Group Ltd, Pan Asian Holdings Limited and GDS Global Limited.

Mr Goh holds a Bachelor of Accountancy degree from the University of Singapore and is a member of The Institute of Singapore Chartered Accountants, The Chartered Institute of Management Accountants (UK) and Chartered Institute of Secretaries & Administrators (UK).

MS SEET CHOR HOON
Independent Non-Executive Director

Date of first appointment: 15 August 2014 | **Date of last re-election as a director:** NA

MS SEET joined the Board as an Independent Non-Executive Director in August 2014. She is also the Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee.

Ms Seet is currently a director and owner of an education business. 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 LUKE HO KHEE YONG

Interim Chief Executive Officer, Chief Financial Officer and Company Secretary

Mr Ho was appointed as the Interim Chief Executive Officer in October 2014 and he also serves as the Chief Financial Officer of Magnus.

He is responsible for the Group's strategic development, financial management, accounting and reporting functions, as well as other compliance requirements of the Group. His duties also include corporate secretarial matters for the Group. He has held several senior positions over 15 years in the Asia Pacific Region.

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

MR ONG ENG KEE

Consultant - Mid-Continent Equipment Group Pte Ltd.

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.

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 business relationships with customers and suppliers, both locally and overseas. He has over 10 years of experience in business development and management.

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

MR TAY KHENG HWEE DEN

Chief Operating Officer - Mid-Continent Equipment Group Pte Ltd.

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, purch

asing, 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

President - Mid-Continent Equipment Inc. (USA)

Mr Maung 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 Maung 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 24 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 Maung holds a Bachelor of Commerce (B.Com) from Institute of Economics, Rangoon in Myanmar.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Kushairi Bin Zaidel
(Chairman and Independent Non-Executive Director)

Mr Goh Boon Kok
(Independent Non-Executive Director)

Ms Seet Chor Hoon
(Independent Non-Executive Director)
(w.e.f 15 August 2014)

AUDIT COMMITTEE

Goh Boon Kok
(Chairman)

Kushairi Bin Zaidel
(Member)

Seet Chor Hoon
(Member)

NOMINATING COMMITTEE

Kushairi Bin Zaidel
(Chairman)

Goh Boon Kok
(Member)

Seet Chor Hoon
(Member)

REMUNERATION COMMITTEE

Seet Chor Hoon
(Chairman)

Goh Boon Kok
(Member)

Kushairi Bin Zaidel
(Member)

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)

COMPANY SECRETARY

Luke Ho Khee Yong

REGISTERED OFFICE

400 Orchard Road
#19-06 Orchard Towers
Singapore 238875
Tel: 6325 1850
Fax: 6325 1851
Electronic mail address: info@magnusenergy.com.sg
Website: www.magnusenergy.com.sg

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

PRINCIPAL BANKERS

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

The Board of Directors ("**Board**") of Magnus Energy Group Ltd. ("**Magnus**" or the "**Company**") is committed to maintain 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 ("**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 for the year ended 30 June 2014 with specific reference made to each principle of the Code.

Except as disclosed in the Annual Report, there has been no deviation from the principles and guidelines of the Code.

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 to achieve this and the Management remains accountable to the Board.

Role of the Board of Directors ("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;
- nominations of Directors for appointment to the Board and appointment of key managerial personnel;
- overseeing the processes for evaluating the adequacy of internal controls, financial reporting and compliance;
- reviewing the Group's operations and financial performance and the performance of management;
- identifies key stakeholder groups and recognise the importance of their perception on the Company's standing and reputation; and
- considers 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 at its best efforts and knowledge ensure that shareholders and stakeholders needs are addressed by setting standards and values to uphold the performance and integrity of both the Board and Management. The Board communicates the requirements and demands during the meetings held throughout the year with the Management.

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 executive directors. This is to facilitate effective management. The directors make decisions in the interests of the Group objectively.

1. **BOARD MATTERS (cont'd)**

Board Processes

The Board has delegated specific responsibilities to three committees, namely, the Audit Committee, Nominating Committee and Remuneration Committee to support its role. These committees operate within clearly defined terms of references and operating procedures. These are reviewed on a regular basis and improved as and when required to meet the changes in the laws and other guidelines. The 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 start of the financial year. Ad hoc meetings are called when there are pressing matters requiring the Board's decisions and approvals in between the scheduled meetings. Clear directions are given to 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 interim and annual results announcements;

➢ approving the Group's policies, strategies and business plans;

➢ approving annual budgets, major funding proposals, investment and divestment proposals;

➢ corporate financial restructuring plans and issuance of shares; and

➢ authorisation of acquisition/disposal and other material transactions.

The Articles of Association of the Company provide for the directors to participate in a Board meeting other than physical meetings, by teleconferencing or videoconferencing. 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		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings							
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Kushairi Bin Zaidel	5	5	4	4	1	1	1	1
Lim Kuan Yew(1)	5	5	4	4*	1	1*	1	1*
Goh Boon Kok	5	5	4	4	1	1	1	1
Seet Chor Hoon(2)	–	–	–	–	–	–	–	–
Idris Bin Abdullah @ Das Murthy(3)	5	3	4	3	1	1	1	1
Koh Teng Kiat(4)	5	5	4	4*	1	1*	1	1*

(1) Mr Lim Kuan Yew has resigned as the managing director of the Company on 30 September 2014.

(2) Ms Seet Chor Hoon was appointed as an independent non-executive director of the Company, the Chairman of Remuneration Committee and a member of both the Audit and Nominating Committees on 15 August 2014.

(3) Datuk Idris Bin Abdullah @ Das Murthy has resigned as an independent non-executive director of the Company on 30 June 2014 and ceased to be a member or Chairman of any Board Committees.

(4) Mr Koh Teng Kiat has resigned as an executive director of the Company on 31 May 2014.

* Attended the various Committees meeting by invitation

1. **BOARD MATTERS (cont'd)**

Training of Directors

The Company provides to the directors The Directors' Code of Conduct, which embraces the values of honesty, integrity, personal excellence and accountability which should be the cornerstone of every director's conduct. It also sets out the duties and obligations of each director. Further, to assist the Board in discharging its duties, the Company conducts orientation for newly appointed directors to help them get familiarised with the business operations and regulatory issues of the Group. To get 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 participate in seminars and receive appropriate training to improve themselves in the discharge of their duties as directors. Where the Company appoints a first-time director, appropriate legal, financial and industry-specific training would be provided. The Company Secretary will organise and 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 upon the appointment of a new director.

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 three members, all of whom are independent non-executive directors:

Name of Directors	Designation	Date of Appointment	Date of Last Re-election	Audit Committee	Nominating Committee	Remuneration Committee
Kushairi Bin Zaidel(1)	Non-executive Chairman and Independent non-executive Director	05 November 2012	29 October 2013	Member	Chairman	Member
Lim Kuan Yew(2)	Managing Director	17 March 2008	NA	NA	NA	NA
Goh Boon Kok	Independent non-executive Director	01 June 2004	29 October 2013	Chairman	Member	Member
Seet Chor Hoon(3)	Independent non-executive Director	15 August 2014	NA	Member(3)	Member(3)	Chairman(3)
Idris Bin Abdullah @ Das Murthy(4)	Non-executive Chairman and Independent non-executive Director	23 May 2008	29 October 2013	Member(4)	Member(4)	Chairman(4)
Koh Teng Kiat(5)	Executive Director/ COO	17 February 2005	29 October 2012	NA	NA	NA

(1) Mr Kushairi Bin Zaidel was appointed as the Chairman of the Board on 1 July 2014.

(2) Mr Lim Kuan Yew has resigned as the managing director of the Company on 30 September 2014.

(3) Ms Seet Chor Hoon was appointed as an independent non-executive director of the company, the Chairman of the Remuneration Committee and a member of both the Audit and Nominating Committees on 15 August 2014.

(4) Datuk Idris Bin Abdullah @ Das Murthy has resigned as an independent non-executive director of the Company on 30 June 2014, and has ceased to be Chairman of the Board and Remuneration Committee, and a member of both the Audit and Nominating Committees on 30 June 2014.

(5) Mr Koh Teng Kiat has resigned as an executive director of the Company on 31 May 2014.

2. BOARD COMPOSITION AND GUIDANCE (cont'd)

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

The academic, professional qualifications and experience of the Board can be found in the write-up on the Board of Directors at the start of this Annual Report.

There is adequate relevant competence on the part of the Directors, who, as a group, carry an appropriate mix of diversity, expertise and experience, in areas namely, accounting and finance, business and management, and corporate governance aspects.

The current Board with all independent non-executive directors has a strong and independent element to exercise objective judgment on corporate affairs. In line with the Code, the Board has sought and obtained confirmations from each of the current independent non-executive 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(1) 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.

Ms Seet Chor Hoon ("**Ms Seet**") was appointed as a director of the Company on 15 August 2014. Consequently Ms Seet has been appointed as Chairman of the Remuneration Committee and a member to the Audit and Nominating Committees on the same date. Mr Koh Teng Kiat ("**Mr Koh**") who was appointed as a director of the Company on 17 February 2005 had resigned on 31 May 2014. Idris Bin Abdullah @ Das Murthy ("**Datuk Idris**") who was appointed as a director of the Company on 23 May 2008 had resigned on 30 June 2014. Accordingly, Datuk Idris ceased to be the Chairman of the Remuneration Committee and a member to the Nominating and Audit Committees on the same date. Mr Lim Kuan Yew ("**Mr Lim**") who was appointed as a director on 17 March 2008 had resigned on 30 September 2014.

Although all the directors have an equal responsibility for the Group's operations, the role of these independent 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.

Other than Mr Goh Boon Kok ("**Mr Goh**"), none of the independent non-executive directors have served on the Board beyond nine years from the respective date of their first appointment. The Nominating Committee has rigourously reviewed the independence of Mr Goh and found Mr Goh to be considered independent. Other than Mr Goh's non-executive duties as an independent director of the Company, he has no other involvement with the Group. Further, Mr Goh, who is of our pioneer generation, is able to provide unparalleled leadership and guidance to the Company.

The independent and non-executive directors are also encouraged to meet regularly without the management being present.

3. CHAIRMAN AND MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER

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.

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(1) The term "10% shareholder" refers to a person who has an interest or interests in one or more voting shares in the company and the total votes attached to that share, or those shares, is not less than 10% of the total votes attached to all the voting shares in the company. "Voting shares" exclude treasury shares.

3. CHAIRMAN AND MANAGING DIRECTOR/CHIEF EXECUTIVE OFFICER (cont'd)

There is a clear division of responsibilities between the Non-Executive Chairman, Mr Kushairi Bin Zaidel ("**Mr Kushairi**") and the Managing Director ("**MD**") (in absence of a Chief Executive Officer ("**CEO**")), Mr Lim. Mr Lim has resigned with effect from 30 September 2014 and his duties shall be assumed by Mr Luke Ho Khee Yong who is the interim CEO. There is also no relationship between the Non-Executive Chairman and MD/CEO.

The Non-Executive Chairman is responsible for leading the Board and facilitating its effectiveness while the MD/CEO is responsible for the conduct of the Group's daily business operations.

The Non-Executive 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 agenda for the Board in consultation with the MD/CEO;

➢ 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 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 between the Board and Management;

➢ facilitate the effective contribution of non-executive directors;

➢ encourage constructive relations between executive directors and non-executive directors; and

➢ promote a culture of openness and debate at the Board and high standards of corporate governance.

4. BOARD MEMBERSHIP

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

The Nominating Committee ("**NC**") comprises the following independent non-executive directors:

- Mr Kushairi Bin Zaidel (Chairman)
- Mr Goh Boon Kok (Member)
- Ms Seet Chor Hoon (Member, appointed on 15 August 2014)

The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

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

➢ identify 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;

4. BOARD MEMBERSHIP (cont'd)

The NC has adopted specific terms of reference and its principal functions are as follows: (cont'd)

- 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 MD/CEO; and
- the development of 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 except the MD shall submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

The Company has in place a formal process for the selection and appointment of new directors to 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 suitably qualified and experienced candidates for appointment to the Board.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possesses the particular skill, experience and knowledge, business, finance and management skills necessary 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 Articles of Association 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 ("**AGM**") at the first opportunity after their appointment.

Pursuant to Article 78 of the Company's Articles of Association, newly appointed directors would be required to submit themselves for re-nomination and re-election at the forthcoming AGM. Article 96(2) of the Company's Articles of Association requires that one-third of the Directors retire by rotation at every AGM. However, the MD is not subject to retirement by rotation. In accordance with the Company's Articles of Association, Ms Seet shall retire pursuant to Article 78 and Mr Kushairi shall retire pursuant to Article 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, 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' Report.

The independent directors have declared their independence for the financial year ended 30 June 2014, in accordance with the revised independent guidelines contained in the Code.

4. BOARD MEMBERSHIP (cont'd)

During the financial year ended 30 June 2014, 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.

Pursuant to Sections 153(2) and 153(6) of the Companies Act, Cap. 50, the office of a director of a public company shall become vacant at the conclusion of the AGM commencing next after he attains the age of 70 years but such a person may be re-appointed by way of an ordinary resolution at the AGM until the next AGM. The independent non-executive director of the Company, Mr Goh, has attained the age of 74 years and his office as a Director of the Company shall be vacant at the forthcoming AGM. The NC has considered and deliberated that notwithstanding his age, Mr Goh is still able to provide unparalleled leadership and guidance to the Company and has recommended him for re-appointment as a Director of the Company. Mr Goh has consented to be re-appointed as a Director of the Company until the next AGM following the forthcoming AGM.

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	Company	Date of Appointment	Date of Resignation
Kushairi Bin Zaidel	Kuantan Flour Mills Bhd.	06 January 2009	
Goh Boon Kok	Super Group Ltd.	27 June 1994	
	Blumont Group Ltd.	03 January 2006	31 May 2014
	Pan Asian Holdings Limited	20 March 2009	
	Goh Book Kok Services Pte Ltd	01 January 1976	
	GDS Global Limited	21 March 2013	
Seet Chor Hoon	Seedz@Play Pte. Ltd.	11 August 2011	

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.

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.

5. BOARD PERFORMANCE (cont'd)

In addition to the above, the Board also implemented a process, to be conducted once a year, for evaluating the performance and effectiveness of the Board, individually and collectively, 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.

Each Director is required to individually complete a Board Evaluation Form ("**BEF**") annually, to facilitate the NC in its assessment of the Directors. 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 processes, strategic review, and performance of MD/Senior Management 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.

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 Committee Meeting, giving the background, explanatory information and justification for each decision and mandate sought by the Management, including, where applicable, pertinent financials, such as copies of disclosure documents, budgets, forecasts and quarterly internal financial statements 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. 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 attends and prepares all board meetings. In addition, the Company Secretary assists the Chairman in ensuring board procedures are followed and that applicable rules and regulations, including, the Company's Memorandum and Articles of Association, requirements of the Singapore Companies Act, Chapter 50, and the provisions in the Rules of Catalist of the SGX-ST ("**Catalist Rules**") are complied with. The appointment and removal of the Company Secretary are decided by 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 Remuneration Committee ("**RC**") comprises the following independent non-executive directors:

- Ms Seet Chor Hoon (Chairman, appointed on 15 August 2014)
- Mr Goh Boon Kok (Member)
- Mr Kushairi Bin Zaidel (Member)

7. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (cont'd)

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 of the Board 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 and benefits in kind;

- determine the specific remuneration packages for each executive director and key executive based on performance, service seniority, experience and scope of responsibility;

- review and recommend to the Board the terms of service agreements of the directors;

- recommend the fees payable to non-executive directors based on the level of responsibilities undertaken by them; and

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

The members of the RC will ensure that they do not set their 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 executive directors' and 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 our 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 independent 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 service agreements with the Senior Management which is subject to 3-yearly basis renewal on such terms and conditions offered by the Company and they do not contain onerous removal clauses. The appropriate notice period of the service contracts is a 3-months written notice. The Board has reviewed and considered the service contracts to be appropriate prior to the implementation of the service contracts.

8. LEVEL AND MIX OF REMUNERATION (cont'd)

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 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 shall consider the said contractual provisions to be included in future renewals of service contracts 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 with those of shareholders and link rewards to corporate and individual performance. Details are set out in the Directors' Report.

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 payable for the financial year ended 30 June 2014 is set out below:

Remuneration Band and Name of Director	**Salaries**	**Bonus**	**Consultancy fees**	**Director fees**	**Fair value of share options granted**	**Other benefits**	**Total**
	%	%	%	%	%	%	%
$250,000 to below $500,000							
Directors							
Lim Kuan Yew(1)	93.1	6.9	–	–	–	–	100.0
Koh Teng Kiat (2)	65.8	5.8	–	–	–	28.4	100.0
Below $250,000							
Directors							
Idris Bin Abdullah@Das Murthy(3)	–	–	–	100.0	–	–	100.0
Goh Boon Kok	–	–	–	100.0	–	–	100.0
Kushairi Bin Zaidel	–	–	–	100.0	–	–	100.0

(1) Mr Lim Kuan Yew has resigned as the managing director of the Company on 30 September 2014.

(2) Mr Koh Teng Kiat has resigned as an executive director of the Company on 31 May 2014.

(3) Datuk Idris Bin Abdullah @ Das Murthy has resigned as an independent non-executive director of the Company on 30 June 2014, and has ceased to be Chairman of the Board and Remuneration Committee, and a member of both the Audit and Nominating Committees on 30 June 2014.

9. DISCLOSURE ON REMUNERATION (cont'd)

A breakdown, showing the remuneration band of the key executives of the Group remuneration payable for the financial year ended 30 June 2014 is set out below:

Remuneration Band and Name of Key Executive	Salaries	Bonus	Consultancy fees	Director fees	Fair value of share options granted	Other benefits	Total
	%	%	%	%	%	%	%
S$250,000 to below $500,000							
Tay Kheng Hwee	69.7	30.2	–	–	–	0.1	100.0
Ong Eng Kee	–	–	100.0	–	–	–	100.0
Below $250,000							
Luke Ho Khee Yong	90.2	6.9	–	–	–	2.9	100.0
Maung Thein Htike	76.5	23.5	–	–	–	–	100.0
Jason Ong Wie	72.8	–	–	26.9	–	0.3	100.0

The Code recommended a full disclosure on the remuneration of all directors and key executives. The Company is of the opinion that details of individual remuneration are confidential and not in the interest of the Company to disclose. The aggregate remuneration paid to the executive directors and key executives was S$1,667,518. There is no amount of any termination retirement and post-employment benefits that may be granted to directors, MD and key executives.

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

Subject to approval by shareholders at the forthcoming AGM, the RC has recommended that the non-executive directors be paid an aggregate fee of S$73,500 for the financial year ended 30 June 2014 and an estimated fee of S$85,950 for the financial year ending 30 June 2015, to be paid quarterly in 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 was related to the Chairman and Managing Director, other Directors or substantial shareholders of the Company.

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. Details of Magnus Energy ESOP grants and Magnus Energy PSP awards are disclosed in the Report of the Directors.

As at the date of this report, no further grant or award or option was given to any directors or employees of the Company other than the inaugural non-discounted share options ("**Options**") granted on 4 December 2007 which expired on 3 December 2011. None of the Options has been exercised. 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 of the Company's performance, position and prospects. The Management also presents to the Board the full year financial results of the Group and the Audit Committee reports for review and approval for the release of the results to the SGX-ST.

10. ACCOUNTABILITY (cont'd)

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.

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 Audit Committee ("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.

During 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 Commercial Affairs Department ("**CAD**") to provide assistance to the CAD's investigations into an offence under the Securities and Futures Act, Chapter 289 (the "**SFA**"). 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 employees and/or directors who are assisting the investigations shall continue to serve and function in their 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.

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.

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT (cont'd)

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 MD/CEO and Chief Financial Officer 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 ("**Internal Auditor**") appointed reports directly to the AC Chairman and administratively to the MD/CEO. 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 engaged its Internal Auditors, Messrs HLS Risk Advisory Services Pte Ltd to assist management in establishing an ongoing system to communicate, monitor and evaluate 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 financial year ended 30 June 2014.

Where a process oriented internal audit is conducted, the Internal Auditor 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.

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.

The AC comprises the following independent non-executive directors:-

- Mr Goh Boon Kok (Chairman)
- Mr Kushairi Bin Zaidel (Member)
- Ms Seet Chor Hoon (Member, appointed on 15 August 2014)

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 and internal auditors once, without the presence of the Group's respective Management.

The AC carried out its functions in accordance with Section 201B(5) of the Companies Act, Cap. 50 ("**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;

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT (cont'd)

- 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 auditors, and approve the compensation of the external auditors; and

- review interested person transactions.

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

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

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$0.26 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.

11. RISK MANAGEMENT AND INTERNAL CONTROLS, AUDIT COMMITTEE & INTERNAL AUDIT (cont'd)

Below are subsidiaries and significant associated companies that have appointed other firms as auditors:

Name of subsidiaries and significant associated companies	Name of audit firm
MEG Management Sdn Bhd	Moore Stephens AC, Johor Bahru, Malaysia
APAC Coal Limited	Moore Stephens, Perth, Australia
PT Deefu Chemical Indonesia	Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia
PT Batubara Selaras Sapta	Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia
Mid-Continent Equipment (Australia) Pty Ltd	Moore Stephens, Perth, Australia
Tubular Leasing Australia Pty Ltd	Moore Stephens, Perth, Australia
Mid-Continent Equipment NZ Limited	Moore Stephens, Perth, Australia

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 subsidiaries and significant associated companies are 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 financial year ended 30 June 2014 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. The majority 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.

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.

12. COMMUNICATION WITH SHAREHOLDERS & SHAREHOLDER PARTICIPATION (cont'd)

The Company sends the annual report in the form of CD version and notice of AGM to all shareholders of the Company. The notice of AGM is advertised in a Singapore newspaper. At the AGM, shareholders are given the opportunity to opine their views and query the Directors or the Management on matters regarding the Company. Shareholders have the opportunity to participate effectively and to vote in AGMs. They are allowed to vote in person or by appointed proxy. The Articles provides that a Member may appoint not more than two proxies to attend and vote at the same general meeting. The Company believes that a maximum of two proxies shall not undermined effective participation in general meeting. The Company also informs shareholders of the rules, such as voting procedures that govern general meeting of shareholders.

During the AGM, the resolutions on each substantial issue are disclosed separately and not bundled together unless the resolutions are interdependent and linked so as to form one significant proposal. For such resolutions, clear explanation and reasons are provided together with its material implications.

The Company adopts the practices of preparation of minutes or notes of AGM, including the comments and/ or queries from the shareholders and response from the Board and Management, and to make these minutes or notes available to shareholders upon their requests. In addition, the Company practices transparency during the AGM whereby the Chairman of the Board, the Chairman of NC, RC and AC and the Company's external auditors are present and available to address shareholders' questions and concerns about the conduct of the Company and/or audit and the preparation and content of the Independent Auditors' Report.

The Company further encourages open dialogue with shareholders during the general meetings.

The Company does not have a dividend policy and has not recommended any dividend payment. The Company shall continue to reinvest its cash for growth and future expansion.

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 the financial year ended 30 June 2014, there is no interested person transaction.

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. Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

12. COMMUNICATION WITH SHAREHOLDERS & SHAREHOLDER PARTICIPATION (cont'd)

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 will also send memorandum prior to the commencement of each window period as a reminder to the Directors, Officers and relevant employees to ensure that they comply with the code.

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

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

CATALIST SPONSOR (Catalist Rule 1204(21))

The Company is currently under the SGX-ST Catalist sponsor-supervision regime and Stamford Corporate Services Pte. Ltd is the continuing sponsor of the Company during the financial period ended 30 June 2014. There is no non-sponsor fees paid during the financial year ended 30 June 2014.

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 the financial year ended 30 June 2014. As the Group is still undergoing litigation on the ownership of our indirect subsidiary PT BSS that holds the Coal Concession Rights, all mining activities have been currently suspended.

20% beneficial interest of PEL 101 is held under Mid-Con Equipment (Australia) Pty Ltd, a wholly owned subsidiary of Mid-Con Equipment Group Pte Ltd. The Company or its subsidiaries do not have majority control of this gas concession and as at the date of this report, there is no contribution from this gas concession to the Group. The Company owns an effective interest of 10.9% on PEL 101. No production or revenue has been generated for the financial year ended 30 June 2014.

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 compliant) at the Phulbari Coal Project (the 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 the financial year ended 30 June 2014.

DIRECTORS' REPORT

The directors present their report 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 2014 and the balance sheet of the Company as at 30 June 2014.

1. Directors

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

Kushairi Bin Zaidel
Goh Boon Kok
Seet Chor Hoon (Appointed on 15 August 2014)

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 or debentures of the Company or any other body corporate, except as disclosed in this report.

3. Directors' Interests in Shares or Debentures

As recorded in the register of directors' shareholdings under Section 164 of the Singapore Companies Act, Cap. 50 (the "Act"), the following directors, who held office at the end of the financial year, had an interest in shares of the Company or related corporations as stated below:

	Holdings registered in name of director		
Name of directors	**As at 1.7.2013**	**As at 30.6.2014**	**As at 21.7.2014**
	Number of ordinary shares		
<u>The Company</u>			
Goh Boon Kok	300,000	300,000	300,000

Except as disclosed in this report, no directors who held office at the end of the financial year had interests in shares, options or debentures of the Company or related corporations either at the beginning/date of appointment or at the end of the financial year.

4. Directors' Contractual Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except as disclosed in the accompanying financial statements. Certain directors also received remuneration from related corporations in their capacity as directors or executives of those related corporations.

5. Share Options and 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.

5. Share Options and Awards (cont'd)

(a) Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") (cont'd)

The Remuneration Committee of the Company (the "RC") 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 and Goh Boon Kok.

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 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 Group Executives and Non-Executive Directors 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 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.

(b) Outstanding Non-discounted Share Options

At the end of the financial year, there was no outstanding non-discounted share option.

There was no share award given in the current and previous financial years. There was also no discounted share option granted since the commencement of the Share Schemes.

(c) Pursuant to clause 851(1) of the Catalist Rules of the SGX-ST, in addition to information disclosed elsewhere in this report, the directors report that no share option granted to and exercised by directors of the Company or related corporations during the financial year.

(i) No share options or share awards have been granted under the Magnus Energy ESOP and Magnus Energy PSP during the financial year under review.

(ii) No participant received 5.0% or more of the total number of options available under the Magnus Energy ESOP during the financial year under review.

(iii) The options granted pursuant to the Share Schemes do not entitle the holder to participate, by virtue of the options, in any share issue of any other related corporation.

5. Share Options and Awards (cont'd)

(c) Pursuant to clause 851(1) of the Catalist Rules of the SGX-ST, in addition to information disclosed elsewhere in this report, the directors report that no share option granted to and exercised by directors of the Company or related corporations during the financial year. (cont'd)

Except as disclosed in the report:

- no option to take up unissued shares of the Company or its related corporations have been granted; and
- no share 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.

6. Audit Committee

The Audit Committee comprises three non-executive directors who are also independent directors. The members of the Audit Committee are:

Goh Boon Kok, Chairman
Kushairi Bin Zaidel, Member
Seet Chor Hoon, Member

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

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

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

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

(d) reviewed interested party transactions for the financial year ended 30 June 2014 in accordance with Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist to satisfy themselves that the transactions are of normal commercial terms;

(e) reviewed the consolidated financial statements of the Group and the balance sheet of the Company for the financial year ended 30 June 2014 before their submission to the Board of Directors and the independent auditors' report on those financial statements;

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

(g) undertakes such other functions and duties as maybe 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 year under review. The Audit Committee has also conducted a review of interested person transactions.

Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, and reviews performed by management, various Board Committees and the Board, the Audit Committee and the Board are of the opinion that the Group's internal controls, addressing financial, operational and compliance risks, were adequate as at 30 June 2014.

6. Audit Committee (cont'd)

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.

7. Independent Auditors

The auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants, have expressed their willingness to accept re-appointment.

8. Other information required by the SGX-ST

No material contracts to which the Company or any subsidiary is a party and which involve controlling shareholders' and directors' interests and 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

GOH BOON KOK
Director

Singapore

2 October 2014

STATEMENT BY DIRECTORS

We, Kushairi Bin Zaidel and Goh Boon Kok, being two of the directors of Magnus Energy Group Ltd., do hereby state that, in the opinion of the directors,

(a) as explained in Note 18 to the financial statements, because of the uncertainty surrounding the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT Batubara Selaras Sapta ("PT BSS"), we are unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights of approximately S$24.8 million and its related deferred tax liability of approximately S$7.2 million as at 30 June 2014. The investment has been included in the Group's consolidated balance sheet at its book value;

(b) except for the matter stated in paragraph (a) above, the consolidated financial statements of the Group and the balance sheet of the Company as set out in pages 33 to 101 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2014 and the results, changes in equity and cash flows of the Group for the year then ended; and

(c) 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.

On behalf of the Board of Directors,

KUSHAIRI BIN ZAIDEL
Director

GOH BOON KOK
Director

Singapore

2 October 2014

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 33 to 101, which comprise the balance sheets of the Group and of the Company as at 30 June 2014, 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 profit and loss accounts and balance sheets 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 as to 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 audit report dated 4 October 2013 on the financial statements for the previous financial year ended 30 June 2013 contained a modified opinion on the matters as discussed below, which remain unresolved during the current financial year ended 30 June 2014.

7. As discussed in Note 18 to the financial statements, the Group's investment in the Coal Concession Rights of approximately S$24.8 million (2013: S$24.5 million) as at 30 June 2014 is included in the Group's consolidated balance sheet at cost less impairment losses. In addition, the Group has a deferred tax liability of approximately S$7.2 million (2013: S$7.0 million) relating to this investment (Note 11).

8. The investment in the Coal Concession Rights is held in the name of PT Batubara Selaras Sapta ("PT BSS"), a subsidiary of the Group. As explained in Note 18, because the outcome of the ongoing legal proceedings relating to the Group's ownership interest in PT BSS is uncertain, the directors of the Company were unable to determine the recoverable amount of the Group's investment in the Coal Concession Rights.

9. Accordingly, we have not been provided with the information and explanations that we considered necessary, nor are we able to carry out alternative auditing procedures to satisfy ourselves as to the validity and appropriateness of the carrying amount of the Group's investment in Coal Concession Rights and the related deferred tax liability as reflected in the Group's consolidated balance sheet of approximately S$24.8 million (2013: S$24.5 million) and S$7.2 million (2013: S$7.0 million), respectively. Any adjustment to these amounts may have a significant consequential effect on the financial position of the Group as at 30 June 2014 and the results of the Group for the financial year then ended.

Basis for Qualified Opinion ((cont'd)

10. Further, the Company has an investment in, and an amount due from, APAC Coal Limited ("APAC"), a subsidiary of the Group, of approximately S$492,000 (2013: S$645,000) (Note 14) and S$646,000 (2013: S$1.2 million) (Note 22), respectively. APAC holds a 100% interest in PT Deefu Chemical Indonesia which in turn holds a 100% interest in PT BSS. PT BSS is the holder of the Coal Concession Rights as referred to in paragraph 8 above. 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 8 above.

11. Under these circumstances, it was not possible to carry out the necessary auditing procedures, nor were we able to carry out alternative auditing procedures, to satisfy ourselves as to the recoverability of the Company's investment in, and amount due from APAC, of approximately S$492,000 (2013: S$645,000) and S$646,000 (2013: S$1.2 million), respectively as at 30 June 2014. Any adjustment to these amounts may have a significant consequential effect on the financial position of the Company as at 30 June 2014.

Qualified Opinion

12. In our opinion, except for the matters described in paragraphs 6 to 11 above, the consolidated financial statements of the Group and the balance sheet 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 state of affairs of the Group and of the Company as at 30 June 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

Reports on Other Legal and Regulatory Requirements

13. 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

2 October 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the Financial Year ended 30 June 2014

	Note	2014 S$	2013 S$
Revenue	4	49,829,603	50,817,670
Cost of sales		(40,210,364)	(39,856,393)
Gross profit		9,619,239	10,961,277
Other operating income	5	1,587,729	5,588,521
Other operating expenses	5	(10,446,799)	(1,707,915)
Distribution and selling expenses	6	(151,609)	(197,768)
Administrative expenses	7	(9,802,932)	(10,731,344)
Finance income	9	2,027,352	903,382
Finance costs	10	(334,637)	(223,067)
(Loss)/Profit before income tax		(7,501,657)	4,593,086
Income tax	11	(477,338)	(997,760)
Net (loss)/profit for the year		(7,978,995)	3,595,326
Net (loss)/profit for the year attributable to:			
Equity holders of the Company		(8,146,748)	1,622,718
Non-controlling interests		167,753	1,972,608
		(7,978,995)	3,595,326
Other comprehensive income:			
Items that may be classified subsequently to profit or loss:			
Exchange differences on translation of foreign operations		84,975	(2,791,107)
Fair value (loss)/gain recognised in equity on revaluation of available-for-sale financial assets during the year		(40,197,430)	4,634,634
Reversal of fair value loss/(gain) from equity on disposal of available-for-sale financial assets during the year		392,038	(652,391)
Deferred tax on fair value changes to available-for-sale financial assets		234	5,782
		(39,720,183)	1,196,918
Total comprehensive (loss)/income for the year		(47,699,178)	4,792,244
Total comprehensive (loss)/income for the year attributable to:			
Equity holders of the Company		(47,888,115)	3,622,967
Non-controlling interests		188,937	1,169,277
		(47,699,178)	4,792,244
(Loss)/Earnings per share attributable to the equity holders of the Company (cents)			
- Basic and Diluted	12	(0.398)	0.079

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS

As at 30 June 2014

	Note	Group 2014 S$	Group 2013 S$	Company 2014 S$	Company 2013 S$
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	6,194,786	6,690,288	52,595	39,380
Investments in subsidiaries	14	–	–	14,448,969	14,601,988
Investments in associated companies	15	1,709	1,733	–	–
Investments in joint venture entities	16	–	–	–	–
Goodwill	17	1,569,703	1,569,703	–	–
Other intangible assets	18	29,023,639	28,949,264	–	–
Other financial assets	19	4,798,518	50,580,682	26,036	31,924,400
Total Non-Current Assets		41,588,355	87,791,670	14,527,600	46,565,768
Current Assets					
Other financial assets	19	–	540,000	–	540,000
Inventories	20	7,575,684	7,122,949	–	–
Trade and other receivables	21	8,394,070	9,228,511	621,941	841,970
Related parties balances	22	219,968	2,025,903	4,432,086	1,496,594
Cash and bank deposits	23	4,681,534	6,391,162	25,177	320,306
Fixed deposits	24	15,452,791	16,097,506	–	–
Total Current Assets		36,324,047	41,406,031	5,079,204	3,198,870
Total Assets		77,912,402	129,197,701	19,606,804	49,764,638
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	25	8,649,526	8,972,748	2,356,336	2,979,793
Bank overdrafts	26	809,469	699,676	–	–
Related parties balances	22	426,871	2,878,802	2,468,282	4,569,860
Borrowings	27	48,374	32,455	–	–
Finance lease obligations	28	9,954	12,267	–	12,267
Income tax liabilities		582,081	643,813	–	–
Total Current Liabilities		10,526,275	13,239,761	4,824,618	7,561,920
Non-Current Liabilities					
Borrowings	27	68,096	103,495	–	–
Finance lease obligations	28	31,793	–	–	–
Deferred income tax liabilities	11	7,265,426	7,383,445	–	–
Total Non-Current Liabilities		7,365,315	7,486,940	–	–
Total Liabilities		17,891,590	20,726,701	4,824,618	7,561,920
Equity					
Share capital	29	120,126,816	120,126,816	120,126,816	120,126,816
Reserves	30	(86,818,296)	(38,930,181)	(105,344,630)	(77,924,098)
		33,308,520	81,196,635	14,782,186	42,202,718
Non-controlling interests		26,712,292	27,274,365	–	–
Total Equity		60,020,812	108,471,000	14,782,186	42,202,718
Total Liabilities and Equity		77,912,402	129,197,701	19,606,804	49,764,638

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the Financial Year ended 30 June 2014

	Attributable to equity holders of the Company						
	Share Capital S$	**Fair Value Reserve S$**	**Translation Reserve S$**	**Accumulated Losses S$**	**Total S$**	**Non-controlling Interests S$**	**Total Equity S$**
Group							
2014							
Balance at 1 July 2013	120,126,816	40,840,219	(7,806,642)	(71,963,758)	81,196,635	27,274,365	108,471,000
Net (loss)/profit for the year	–	–	–	(8,146,748)	(8,146,748)	167,753	(7,978,995)
Other comprehensive (loss)/income (Note 30)	–	(39,878,112)	136,745	–	(39,741,367)	21,184	(39,720,183)
Total comprehensive (loss)/income for the year	–	(39,878,112)	136,745	(8,146,748)	(47,888,115)	188,937	(47,699,178)
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	–	(751,010)	(751,010)
Balance at 30 June 2014	120,126,816	962,107	(7,669,897)	(80,110,506)	33,308,520	26,712,292	60,020,812
2013							
Balance at 1 July 2012	120,126,816	37,298,735	(6,265,407)	(73,563,365)	77,596,779	27,233,323	104,830,102
Net profit for the year	–	–	–	1,622,718	1,622,718	1,972,608	3,595,326
Other comprehensive income/(loss) (Note 30)	–	3,541,484	(1,541,235)	–	2,000,249	(803,331)	1,196,918
Total comprehensive income/(loss) for the year	–	3,541,484	(1,541,235)	1,622,718	3,622,967	1,169,277	4,792,244
Disposal of interest in subsidiary (Note14)	–	–	–	(23,111)	(23,111)	150,712	127,601
Dividends paid by a subsidiary to non-controlling shareholders	–	–	–	–	–	(1,278,947)	(1,278,947)
Balance at 30 June 2013	120,126,816	40,840,219	(7,806,642)	(71,963,758)	81,196,635	27,274,365	108,471,000

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOWS STATEMENT

for the Financial Year ended 30 June 2014

	2014 S$	2013 S$
Cash Flows from Operating Activities		
(Loss)/Profit before income tax	(7,501,657)	4,593,086
Adjustments:		
Reversal of allowance for impairment loss on trade receivables	(12,236)	–
Allowance for impairment loss on trade receivables	–	26,534
Depreciation of property, plant and equipment	673,437	746,988
Inventories written-off	167,416	412,455
Allowance for inventory obsolescence	230,833	791,731
Impairment loss of available-for-sale financial assets	178,556	–
Fair value loss of financial assets held for trading	88,905	1,607
Fair value loss/(gain) transferred from fair value reserve upon disposal of available-for-sale financial assets	392,038	(652,391)
Loss/(Gain) on disposal of available-for-sale financial assets	1,700,347	(3,166,845)
Loss on disposal of financial assets held for trading	7,095,852	46,230
Gain on disposal of property, plant and equipment	(272,751)	(981,965)
Gain on disposal of a subsidiary	(967,368)	–
Foreign exchange loss/(gain) - unrealised	503,977	(109,581)
Interest expense	198,359	72,293
Interest income	(2,027,352)	(903,382)
Operating cash flow before working capital changes	448,356	876,760
Changes in operating assets and liabilities:		
Inventories	(950,508)	325,436
Trade and other receivables	576,310	584,502
Trade and other payables	1,756,426	854,304
Related parties balances (net)	(1,353,404)	588,229
Cash flows generated from operations	477,180	3,229,231
Interest income received	1,985,664	290,233
Interest paid	(198,359)	(72,293)
Income taxes paid	(730,617)	(697,516)
Net cash flows generated from operating activities	1,533,868	2,749,655
Cash Flows from Investing Activities		
Net cash outflow on disposal of a subsidiary (Note 14)	(33)	127,601
Purchase of property, plant and equipment	(384,083)	(655,681)
Proceeds from sale of property, plant and equipment	363,568	1,051,048
Acquisition of other financial assets	(3,969,290)	(503,615)
Net proceeds from sale of other financial assets	595,226	6,199,013
Payment of petroleum exploration expenditure	(2,348)	(151,316)
Fixed deposits pledged to banks	(43,365)	(126,057)
Net cash flows (used in)/generated from investing activities	(3,440,325)	5,940,993

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOWS STATEMENT

for the Financial Year ended 30 June 2014

	2014 S$	2013 S$
Cash Flows from Financing Activities		
Proceeds from borrowings	42,030	–
Repayment of borrowings	(59,610)	(1,442,143)
Payment of dividends by a subsidiary company to non-controlling interests	(751,010)	(1,278,947)
Net cash flows used in financing activities	(784,613)	(2,744,508)
Net (decrease)/increase in cash and cash equivalents	(2,691,070)	5,946,140
Cash and cash equivalents at the beginning of the year	16,505,742	11,252,399
Effects of exchange rate changes on cash and cash equivalents	257,387	(692,797)
Cash and cash equivalents at the end of the year (Note A)	14,072,059	16,505,742

Note A *Cash and cash equivalents*

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

	Note	2014 S$	2013 S$
Cash and bank balances		4,681,534	6,269,052
Short-term deposits		–	122,110
	23	4,681,534	6,391,162
Less: Bank overdrafts, unsecured	26	(809,469)	(699,676)
		3,872,065	5,691,486
Add: Fixed deposits (unrestricted)	24	10,199,994	10,814,256
Cash and cash equivalents		14,072,059	16,505,742

The accompanying notes form an integral part of the financial statements

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

1 Corporate Information

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

The address of the Company's registered office and principal place of business is at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875.

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 balance sheet 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 2014, the Group has adopted the following new standard which is effective and mandatory for application for the year, and relevant to the Group:

		Effective for accounting periods beginning on or after
FRS 113	*Fair Value Measurement*	1 January 2013

FRS 113 establishes a single source of guidance under FRS for all fair value measurements of both financial and non-financial items. FRS 113 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under FRS when fair value is required or permitted. The application of FRS 113 has not materially impacted the fair value measurements carried out by the Group and the Company during the year.

New/Revised FRS which are not yet effective

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

		Effective for accounting periods beginning on or after
FRS 24 (Improvement)	*Related Party Disclosures*	1 July 2014
FRS 27 (Revised)	*Separate Financial Statements*	1 January 2014
FRS 28 (Revised)	*Investment in Associates and Joint Ventures*	1 January 2014
FRS 36 (Amendment)	*Recoverable Amount Disclosure for Non-Financial Assets*	1 January 2014
FRS 108 (Improvement)	*Operating Segments*	1 July 2014
FRS 110	*Consolidated Financial Statements*	1 January 2014
FRS 111	*Joint Arrangements*	1 January 2014
FRS 112	*Disclosure of Interest in Other Entities*	1 January 2014

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRS which are not yet effective (cont'd)

FRS 24 (Improvement) *Related Party Disclosures*

The improvements to FRS 24 *Related Party Disclosures* clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company on adoption of this standard.

FRS 27 (Revised) *Separate Financial Statements*

FRS 27 (Revised) will now solely address separate financial statements, the requirements for which are substantially unchanged. The Group does not expect any impact on the financial performance of the Group or the financial positions of the Group and the Company on adoption of this revised standard.

FRS 28 (Revised) *Investments in Associates and Joint Ventures*

FRS 28 (Revised) changes in scope as a result of the issuance of FRS 111 *Joint Arrangements*. It continues to prescribe the mechanics of equity accounting. The impact on the financial performance of the Group or the financial positions of the Group and the Company on adoption of this revised standard is further discussed below under FRS 111 *Joint Arrangements*.

FRS 36 (Amendment) *Recoverable Amount Disclosure for Non-Financial Assets*

The amendments to FRS 36 *Recoverable Amount Disclosure for Non-Financial Assets* restrict the requirement to disclose the recoverable amount of an asset or cash-generating unit (CGU) to periods in which an impairment loss has been recognised or reversed.

The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and Company on adoption of this amended standard.

FRS 108 (Improvement) *Operating Segments*

The improvements to FRS 108 *Operating Segments* require an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments. The improvements also clarify that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and Company on adoption of this standard.

FRS 110 *Consolidated Financial Statements*

FRS 110 *Consolidated Financial Statements* supersedes FRS 27 *Consolidated and Separate Financial Statements* and INT FRS 12 *Consolidation – Special Purpose Entities*. The standard changes the definition of control and applies it to all investees to determine the scope of consolidation. FRS 110 requirements will apply to all types of potential subsidiary. It requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The Group has reassessed which entities the Group controls and expected no change on adoption of this standard.

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

New/Revised FRS which are not yet effective (cont'd)

FRS 111 *Joint Arrangements*

FRS 111 supersedes FRS 31 *Interests in Joint Ventures Arrangements*, eliminates the option of using proportionate consolidation for joint controlled entity and FRS 31's 'jointly controlled operations' and 'jointly controlled assets' categories. These categories will fall into the newly defined category 'joint operation'. The Group is currently assessing the impact on the Group. The joint ventures held by the Group, which were previously accounted for under proportionate consolidation, may have to be equity accounted upon adoption of this standard.

FRS 112 *Disclosure of Interests in Other Entities*

FRS 112 includes all of the disclosures that were previously in FRS 27 and related to consolidated financial statements, as well as all of the disclosures that were previously included in FRS 31 and FRS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. A number of new disclosures are also required. As this is a disclosure standard, it will not have any impact on the financial performance of the Group or the financial positions of the Group and the Company on adoption of this standard.

(b) Group Accounting

(i) Subsidiaries

Consolidation

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanied by a shareholding giving rise to a majority of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet.

Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

2 Summary of Significant Accounting Policies (cont'd)

(b) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Acquisition of businesses

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments are recognised in profit or loss.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

For non-controlling interests that represent ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. The choice of measuring non-controlling interests at fair value or at the proportionate share of the acquiree's net assets applies only to instruments that represent present ownership interests and entitle their holders to a proportionate share of the net assets in the event of liquidation. All other components of non-controlling interests are measured at fair value unless another measurement basis is required by FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combinations, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill on the balance sheet.

The accounting policy for goodwill is set out in Note 2(h) below. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

Disposals of subsidiaries or businesses

When a change in the Company's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific standard.

2 Summary of Significant Accounting Policies (cont'd)

(b) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

Disposals of subsidiaries or businesses (cont'd)

Any retained interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained investment at the date when control is lost and its fair value is recognised in profit or loss.

Transactions with non-controlling interest

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to equity holders of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to equity holders of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to equity holders of the Company.

(ii) Associates

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. Investment in associates is accounted for in the consolidated financial statements using the equity method of accounting.

Investment in associates in the consolidated balance sheet includes goodwill (net of any accumulated impairment losses) identified on acquisition and is assessed for impairment as part of the investment.

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

In applying the equity method of accounting, the Group's share of its associates' post-acquisition profits or losses is 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 investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, 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 associate.

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

2 **Summary of Significant Accounting Policies (cont'd)**

(b) Group Accounting (cont'd)

(ii) Associates (cont'd)

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying amount and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Dilution gains and losses arising from investment in associates are recognised in profit or loss.

Investment in associates is derecognised when the Group loses significant influence. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount of the retained investment at the date when significant influence is lost and the fair value of any retained investment and any proceeds from disposal is recognised in profit or loss.

(iii) Joint Ventures

The Group's joint ventures are entities over which the Group has contractual arrangements to jointly share the control over the economic activity of the entities with one or more parties. The Group's interest in joint ventures is accounted for in the consolidated financial statements using proportionate consolidation.

Proportionate consolidation involves combining the Group's share of the joint ventures' income and expenses, assets and liabilities and cash flows of the jointly-controlled entities on a line-by-line basis with similar items in the Group's financial statements.

When the Group sells assets to a joint venture, the Group recognises only the portion of gains or losses on the sale of assets that is attributable to the interest of the other venturers. The Group recognises the full amount of any loss when the sale provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

When the Group purchases assets from a joint venture, it does not recognise its share of the profits of the joint venturers arising from the Group's purchase of assets until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment loss.

The accounting policies of joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The financial statements of the joint venture are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies into line with those of the Group.

(c) Foreign Currencies

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

2 Summary of Significant Accounting Policies (cont'd)

(c) Foreign Currencies (cont'd)

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 balance sheet date, monetary items denominated in foreign currencies are retranslated at the 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 rates at the reporting 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 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 results and financial position of all the group entities 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 rates at the date of that balance sheet;

– income or 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.

On the disposal of 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.

(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.

2 Summary of Significant Accounting Policies (cont'd)

(d) Revenue Recognition (cont'd)

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 based on the operating leasing terms as agreed in the specific rental arrangements.

Interest income

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

Dividend income

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

(e) Employee Benefits

(i) *Defined contribution plans*

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

(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 balance sheet date.

(f) Property, Plant and Equipment

Measurement

Property, plant and equipment are initially recognised 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

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	3 – 5 years
Office equipment	5 – 8 years
Furniture and fittings	5 – 10 years
Renovations	6 years

2 Summary of Significant Accounting Policies (cont'd)

(f) Property, Plant and Equipment (cont'd)

Depreciation (cont'd)

No depreciation is charged for freehold land.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet 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

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

(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 balance sheet at cost less any impairment losses. 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 taken to profit or loss.

(h) Goodwill on Consolidation

Goodwill represents the excess of the cost of an acquisition of a subsidiary or a jointly controlled entity 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 and jointly controlled entity 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 value 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 the subsidiaries and joint venture entities include the carrying amount of goodwill relating to the entity disposed.

The Group's policy for goodwill arising on the acquisition of an associated company is described under "Associates" in Note 2(b)(ii).

Negative goodwill 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.

2 Summary of Significant Accounting Policies (cont'd)

(i) Intangible Assets

Exploration, evaluation and development expenditure

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

- the rights to tenure of the area of interest are current; and
- at least one of the following conditions is also met:

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

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

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

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

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.

(j) 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.

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

Classification (cont'd)

- *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. 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 balance sheet date.

- *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 balance sheet date, which are classified as non-current assets. Loans and receivables are presented as "trade and other receivables" (excluding prepayments), "related parties balances" and "cash and bank deposits" at the balance sheet date.

- *Financial assets, available-for-sale*

  Financial assets, available-for-sale, 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 balance sheet date.

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. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the net sale proceeds and its carrying amount is recognised in profit or loss. Any amount in the fair value reserve relating to that asset is reclassified 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 expenses.

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.

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.

2 **Summary of Significant Accounting Policies (cont'd)**

(j) Financial Assets (cont'd)

Subsequent measurement (cont'd)

Interest and dividend income on financial assets, available-for-sale, are recognised separately in income. Changes in the fair value 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 the fair value reserve within equity. Changes in the fair value of available-for-sale equity securities (i.e. non-monetary assets) are recognised in the fair value reserve within equity, together with the related currency translation differences.

Impairment

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

- *Loans and receivables*

  An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance for impairment is calculated as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in profit or loss.

- *Financial assets, available-for-sale*

  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 has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in 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 in profit or loss. Impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

(k) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits with financial institutions, which are subjected to an insignificant risk of change in value.

(l) Impairment of Non-Financial Assets Excluding Goodwill

Property, plant and equipment, intangible assets (excluding goodwill), and investments in subsidiaries and associated companies are tested for impairment whenever there is any objective evidence or indication that these assets have been impaired. If any such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

2 Summary of Significant Accounting Policies (cont'd)

(l) Impairment of Non-Financial Assets Excluding Goodwill (cont'd)

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. If the recoverable amount of the asset or CGU is estimated to be less than its carrying amount, the carrying amount of the asset or CGU is reduced to its recoverable amount. The impairment loss is recognised in profit or loss.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss for an asset is recognised in profit or loss.

(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.

(n) 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.

(o) Borrowings and Borrowing Costs

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 balance sheet date are presented as current borrowings. Other borrowings due to be settled more than twelve months after the balance sheet date are presented as non-current borrowings in the balance sheet.

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. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

2 Summary of Significant Accounting Policies (cont'd)

(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.

(r) Financial Guarantees

Financial guarantee contracts are arrangements drawn between the Company and financial institutions for the issuance of corporate guarantees for bank facilities obtained by its subsidiaries.

Financial guarantee contracts are initially recognised at their fair value plus transaction costs, and subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless the Company has incurred an obligation to reimburse the financial institutions for an amount higher than the unamortised amount. In this case, the financial guarantee contracts shall be carried at the expected amount payable to the financial institutions.

(s) 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 instalments 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.

Lessee - Operating leases

Leases of office premises 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.

Contingent rents are recognised as an expense in profit or loss when incurred.

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.

Contingent rents are recognised as income in profit or loss when earned.

2 Summary of Significant Accounting Policies (cont'd)

(t) Income Taxes

Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in profit or loss except that tax relating to items recognised directly in equity is recognised directly in equity.

Deferred tax

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are recognised for all temporary differences, except:

- Where the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss;

- In respect of temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future; and

- In respect of deductible temporary differences and carry-forward of unused tax credits and unused tax losses, if it is not probable that taxable profit will be available against which the deductible temporary differences and carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred taxes are recognised in profit or loss except that deferred tax relating to items recognised directly in equity is recognised directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(u) 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.

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 balance sheet 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.

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 goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of the Group's goodwill as at 30 June 2014 was S$1,569,703 (2013: S$1,569,703). Further details including the sensitivity analysis are set out in Note 17.

(b) Estimated useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 3 to 40 years. The carrying amount of the Group's property, plant and equipment as at 30 June 2014 was S$6,194,786 (2013: S$6,690,288) as disclosed in Note 13. The Group assesses annually the residual values and the useful lives of the property, plant and equipment and if expectations differ from the original estimates due to changes in the expected level of usage and/or technological developments, such differences will impact the depreciation charges in the period in which such estimates are changed.

If depreciation on property, plant and equipment increases/decreases by 10% from management's estimates, the Group's (loss)/profit after tax will increase/decrease by approximately S$55,900 (2013: decrease/increase by approximately S$62,000).

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) Valuation of Petroleum Exploration Rights

The petroleum exploration rights represent the Group's contribution of its participating interest in the PEL 101 granted under the Petroleum Act 2000 of South Australia. In determining the appropriateness of capitalisation of the intangible asset, management have considered the degree to which it can be associated with finding specific economically recoverable mineral resources. As at the balance sheet date, management considered the exploration activities are at their initial stages and have not reached a stage which permits a reasonable assessment of the existence of economically recoverable mineral resources and that substantially more evaluative work will be required. Therefore, management do not consider the intangible asset to be impaired as at year end. The carrying amount of the Group's petroleum exploration rights as at 30 June 2014 was S$4,259,577 (2013: S$4,431,893) as disclosed in Note 18.

3 Critical Accounting Estimates and Judgements (cont'd)

Critical judgements in applying accounting policies (cont'd)

(b) Investment in Coal Concession Rights

For the reasons set out in Note 18, in the opinion of the directors of the Company, it is not possible with any degree of reliability to assess the fair value of the Group's investment in the Coal Concession Rights amounting to approximately S$24.8 million (2013: S$24.5 million) as at 30 June 2014. Neither is it possible to determine the quantum of potential impairment losses, if any. Because of the uncertainty surrounding the ownership of PT BSS, it is not possible to estimate with any degree of certainty the future cash flows attributable to the Group's investment in the Coal Concession Rights. Accordingly, the investment has been included in the Group's consolidated balance sheet at its carrying amount as disclosed above.

(c) Allowance for inventories

The Group writes down the cost of inventories whenever the net realisable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. For the financial year ended 30 June 2014, the Group made an allowance for inventory obsolescence of S$230,833 (2013: S$791,731). Further, inventories that were identified to be obsolete and unusable were written off during the year amounting to S$167,416 (2013: S$412,455).

The carrying amount of the Group's inventories as at 30 June 2014 was S$7,575,684 (2013:S$7,122,949) as disclosed in Note 20.

(d) Allowance for impairment of receivables

An allowance for impairment is made for doubtful receivables for estimated losses resulting from the subsequent inability of the customers to make required payments. If the financial conditions of the customers 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 receivables, historical bad receivables, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for impairment of receivables.

For the financial year ended 30 June 2014, no allowance for impairment loss on trade receivables made by the Group (2013: S$26,534). The carrying amount of trade and other receivables as at 30 June 2014 was S$8,394,070 (2013: S$9,228,511) as disclosed in Note 21.

(e) Income taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made. The Group's current income tax liabilities as at 30 June 2014 was S$582,081 (2013: S$643,813). The carrying amount of the deferred tax liabilities as at 30 June 2014 was to S$7,265,426 (2013: S$7,383,445) as disclosed in Note 11.

4 Revenue

	Group	
	2014	**2013**
	S$	**S$**
Revenue from sale of goods	47,718,333	47,365,795
Revenue from maintenance services	1,360,972	1,990,761
Revenue from rental of equipment	750,298	1,461,114
	49,829,603	50,817,670

5 Other Operating Income/(Expenses)

	Group	
	2014	2013
	S$	S$
The following items have been included in arriving at other operating income:		
Gain on disposal of a subsidiary (Note 14)	967,368	–
Reversal of allowance for impairment loss on trade receivables	12,236	–
Foreign exchange gain - unrealised	–	109,581
Foreign exchange gain - realised	–	193,982
Gain on disposal of available-for-sale financial assets	–	3,166,845
Gain on disposal of property, plant and equipment	272,751	981,965
Service fee income	222,044	474,372
Fair value gain transferred from fair value reserve upon disposal of available-for-sale financial assets	–	652,391
Other income	113,330	9,385
	1,587,729	5,588,521
The following items have been included in arriving at other operating expenses:		
Loss on disposal of financial assets held for trading	(7,095,852)	(46,230)
Loss on disposal of available-for-sale financial assets	(1,700,347)	–
Fair value loss transferred from fair value reserve upon disposal of available-for-sale financial assets	(392,038)	–
Allowance for impairment loss on trade receivables	–	(26,534)
Foreign exchange loss - unrealised	(503,977)	–
Foreign exchange loss - realised	(64,663)	–
Inventories written-off	(167,416)	(412,455)
Allowance for inventory obsolescence	(230,833)	(791,731)
Expenditure for PEL 101	(24,212)	(429,358)
Impairment loss of available-for-sale financial assets	(178,556)	–
Fair value loss of financial assets held for trading	(88,905)	(1,607)
	(10,446,799)	(1,707,915)

6 Distribution and Selling Expenses

	Group	
	2014	2013
	S$	S$
Entertainment expenses	46,824	54,559
Public relation expenses	11,671	14,342
Travelling expenses	93,114	128,867
	151,609	197,768

7 Administrative Expenses

	Group 2014 S$	Group 2013 S$
The following key items have been included in arriving at administrative expenses:		
Audit fees		
- Company auditors	155,489	126,354
- Other auditors	107,584	128,377
Non-audit fees		
- Company auditors	–	–
- Other auditors	15,361	18,300
Depreciation of property, plant and equipment (Note 13)	673,437	746,988
Personnel expenses (Note 8)	6,464,209	7,295,441
Operating lease expenses	244,701	231,075

8 Personnel Expenses

	Group 2014 S$	Group 2013 S$
Staff costs:		
- wages, salaries and bonuses	4,763,749	5,013,693
- defined contribution plans	327,474	321,087
- other personnel expenses	62,001	160,646
	5,153,224	5,495,426
Directors' remuneration:		
- directors of the Company	526,045	507,179
- directors of subsidiaries	576,421	1,067,585
Directors' defined contribution plans:		
- directors of the Company	6,736	9,852
- directors of subsidiaries	24,035	25,737
Directors' fees:		
- directors of the Company	73,500	71,110
- directors of subsidiaries	104,248	118,552
Total directors' remuneration and fees	1,310,985	1,800,015
Total personnel expenses (Note 7)	6,464,209	7,295,441

9 Finance Income

	Group 2014 S$	Group 2013 S$
Interest income:		
- bank and fixed deposits and others	260,727	249,982
- Loaned Shares (see Note 19)	1,766,625	653,400
	2,027,352	903,382

10 Finance Costs

	Group 2014 S$	Group 2013 S$
Interest expense:		
- bank overdrafts	46,158	339
- finance leases	241	237
- bank borrowings	151,960	71,717
	198,359	72,293
Bank charges	136,278	150,774
	334,637	223,067

11 Income Tax

(a) Income tax expense

	Group 2014 S$	Group 2013 S$
Current income tax		
- current year	687,824	653,677
- under provision in respect of prior years	5,646	44,615
	693,470	698,292
Deferred tax		
- current year	(266,900)	465,203
- under/(over) provision in respect of prior years	50,768	(165,735)
	477,338	997,760

11 Income Tax (cont'd)

(a) Income tax expense (cont'd)

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	
	2014	2013
	S$	S$
(Loss)/Profit before income tax	(7,501,657)	4,593,086
Tax at the statutory tax rate	(1,275,282)	780,825
Tax effect of non-deductible expenses*	3,831,845	481,294
Tax effect of non-taxable income*	(2,225,595)	(573,868)
Over provision in respect of current and deferred taxes in prior years, net	56,416	(121,120)
Deferred tax assets not recognised	251,418	322,585
Utilisation of deferred tax benefits not recognised in previous years	–	(11,107)
Statutory exemption	(58,306)	(73,456)
Effect of different tax rates in other countries	(103,158)	192,607
	477,338	997,760

* Mainly relates to expenses of/income derived by those entities of the Group, whose principal activities are those of investment holdings that, do not qualify for deduction/are not taxable as they are capital in nature, in accordance with the relevant tax regulation.

The statutory tax rate used above is the corporate tax rate of 17% (2013: 17%) payable by corporate entities in Singapore on taxable profits under tax law in that jurisdiction. The corporate tax rate applicable to those entities of the Group incorporated in Australia is 30% (2013: 30%). The remaining entities of the Group operating in other tax jurisdictions are not material.

Deferred income taxes are recognised for tax losses carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unutilised tax losses of approximately S$13,625,000 (2013: S$10,735,000) as at 30 June 2014 available for offset against future taxable profits of the companies in which the losses arose. The use of these tax losses is 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 of the Group operate. The tax losses have no expiry date. The deferred tax assets of approximately S$1,720,000 (2013: S$1,486,000) arising from these unutilised tax losses are not recognised in the financial statements in accordance with the Group's accounting policy as stated in Note 2(t).

11 Income Tax (cont'd)

(b) Deferred income tax (assets)/liabilities

Deferred tax (assets)/liabilities arise from and the movements in the accounts 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$
Group					
2014					
Deferred tax (assets)					
Provisions	(346,275)	298,473	–	(32,257)	(80,059)
Available-for-sale financial assets	(175,424)	–	234	1,983	(173,207)
Unutilised tax benefits	(624,724)	(509,807)	–	(449)	(1,134,980)
	(1,146,423)	(211,334)	234	(30,723)	(1,388,246)
Deferred tax liabilities					
Property, plant and equipment	20,878	(18,687)	–	354	2,545
Intangible assets*	8,508,990	13,890	–	128,247	8,651,127
	8,529,868	(4,797)	–	128,601	8,653,672
	7,383,445	(216,131)	234	97,878	7,265,426
2013					
Deferred tax (assets)					
Provisions	(6,470)	(332,271)	–	(7,534)	(346,275)
Available-for-sale financial assets	(495,313)	310,790	(5,782)	14,881	(175,424)
Unutilised tax benefits	(812,033)	291,437	–	(104,128)	(624,724)
	(1,313,816)	269,956	(5,782)	(96,781)	(1,146,423)
Deferred tax liabilities					
Property, plant and equipment	17,389	3,171	–	318	20,878
Intangible assets*	9,327,229	26,341	–	(844,580)	8,508,990
	9,344,618	29,512	–	(844,262)	8,529,868
	8,030,802	299,468	(5,782)	(941,043)	7,383,445

* Includes a deferred tax liability of approximately S$7.2 million (2013: approximately S$7.0 million) in respect of the Coal Concession Rights (Note 18).

12 (Loss)/Earnings per Share

	Group 2014 S$	Group 2013 S$
(Loss)/Profit attributable to equity holders of the Company	(8,146,748)	1,622,718
Weighted average number of ordinary shares outstanding for basic (loss)/ earnings per ordinary share	2,048,678,060	2,048,678,060
(Loss)/Earnings per ordinary share (cents)		
Attributable to the equity holders of the Company		
- Basic and Diluted	(0.398)	0.079

Basic (loss)/earnings per share is calculated by dividing the Group's (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the financial year. Diluted (loss)/earnings per share is the same as basic (loss)/earnings per share as there were no potential dilutive ordinary shares as at 30 June 2014 and 2013.

13 Property, Plant and Equipment

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$
2014										
Cost										
Balance at 1 July	484,861	619,329	4,572,937	7,255,803	441,963	314,616	78,638	658,708	43,840	14,470,695
Additions	–	–	7,914	283,366	–	63,476	1,203	60,827	12,801	429,587
Disposals	–	–	–	(343,596)	(197,648)	–	–	(3,123)	–	(544,367)
Translation differences	(15,098)	(15,157)	(63,894)	(257,832)	557	(7,918)	(3,544)	(13,678)	–	(376,564)
Balance at 30 June	469,763	604,172	4,516,957	6,937,741	244,872	370,174	76,297	702,734	56,641	13,979,351
Accumulated depreciation and impairment										
Balance at 1 July	–	102,310	344,809	5,979,917	429,746	270,839	58,079	558,235	36,472	7,780,407
Charge for the year	–	34,768	114,795	441,013	10,882	25,340	6,057	33,275	7,307	673,437
Disposals	–	–	–	(258,399)	(193,180)	–	–	(1,971)	–	(453,550)
Translation differences	–	(2,823)	(5,810)	(183,472)	(3,686)	(6,415)	(2,499)	(11,024)	–	(215,729)
Balance at 30 June	–	134,255	453,794	5,979,059	243,762	289,764	61,637	578,515	43,779	7,784,565
Net book value										
Balance at 30 June	469,763	469,917	4,063,163	958,682	1,110	80,410	14,660	124,219	12,862	6,194,786

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13 Property, Plant and Equipment (cont'd)

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$
2013										
Cost										
Balance at 1 July	492,168	625,930	4,546,444	7,383,795	730,116	377,562	64,456	645,183	43,840	14,909,494
Additions	–	–	43,299	569,142	–	8,579	15,000	19,661	–	655,681
Disposals	–	–	–	(611,555)	(285,133)	(69,660)	–	(505)	–	(966,853)
Translation differences	(7,307)	(6,601)	(16,806)	(85,579)	(3,020)	(1,865)	(818)	(5,631)	–	(127,627)
Balance at 30 June	484,861	619,329	4,572,937	7,255,803	441,963	314,616	78,638	658,708	43,840	14,470,695
Accumulated depreciation and impairment										
Balance at 1 July	–	92,765	236,334	6,127,015	667,788	315,139	52,579	517,591	29,165	8,038,376
Charge for the year	–	11,681	106,964	507,862	32,298	28,223	6,207	46,446	7,307	746,988
Disposals	–	–	–	(563,101)	(261,970)	(71,113)	(386)	(1,200)	–	(897,770)
Translation differences	–	(2,136)	1,511	(91,859)	(8,370)	(1,410)	(321)	(4,602)	–	(107,187)
Balance at 30 June	–	102,310	344,809	5,979,917	429,746	270,839	58,079	558,235	36,472	7,780,407
Net book value										
Balance at 30 June	484,861	517,019	4,228,128	1,275,886	12,217	43,777	20,559	100,473	7,368	6,690,288

13 Property, Plant and Equipment (cont'd)

Company	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
2014						
Cost						
Balance at 1 July	188,644	26,269	32,702	33,665	43,841	325,121
Additions	–	20,442	–	–	12,800	33,242
Disposal	(188,644)	–	–	–	–	(188,644)
Balance at 30 June	–	46,711	32,702	33,665	56,641	169,719
Accumulated depreciation						
Balance at 1 July	188,644	25,156	14,513	20,956	36,472	285,741
Charge for the year	–	4,829	4,524	3,366	7,308	20,027
Disposal	(188,644)	–	–	–	–	(188,644)
Balance at 30 June	–	29,985	19,037	24,322	43,780	117,124
Net book value						
Balance at 30 June	–	16,726	13,665	9,343	12,861	52,595
2013						
Cost						
Balance at 1 July	188,644	45,043	17,702	33,665	43,841	328,895
Additions	–	1,236	15,000	–	–	16,236
Disposal	–	(20,010)	–	–	–	(20,010)
Balance at 30 June	188,644	26,269	32,702	33,665	43,841	325,121
Accumulated depreciation						
Balance at 1 July	172,924	42,802	11,391	17,590	29,165	273,872
Charge for the year	15,720	2,364	3,122	3,366	7,307	31,879
Disposal	–	(20,010)	–	–	–	(20,010)
Balance at 30 June	188,644	25,156	14,513	20,956	36,472	285,741
Net book value						
Balance at 30 June	–	1,113	18,189	12,709	7,369	39,380

As at 30 June 2014, the Group has certain property, plant and equipment with a net book value of S$410,000 pledged as securities against borrowings (2013: S$544,213) as disclosed in Note 27.

During the financial year, the Group acquired certain property, plant and equipment by means of finance leases totalling S$45,504 (2013: Nil). Other property, plant and equipment were acquired by cash payments of S$384,083 (2013: S$655,681).

As at 30 June 2014, the Group has certain motor vehicles and furniture and fittings under finance leases with a net book value of S$1,110 and S$37,286 respectively (2013: S$5,730 and nil respectively).

13 Property, Plant and Equipment (cont'd)

Details of land and buildings owned by the Group as at 30 June 2014 and 2013 are as follows:

Location	Description	Area (sqm)	Title
5234 Brittmoore-North Road Harris County, Texas 77041 (KM 449C), USA	Office/Warehouse facility	Land: 6,494 Building: 795	Freehold
130 Mills Street, Welshpool Western Australia	Office/Warehouse facility	Land: 2,521 Building: 300	Freehold
9 Barfield Crescent, Elizabeth West, Adelaide South Australia	Single storey industrial building	Land: 2,044 Building: 196	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

14 Investments in Subsidiaries

(a) Investments in subsidiaries comprised:

	Company	
	2014	**2013**
	S$	**S$**
Equity investments, at cost		
Balance at 1 July	50,220,100	50,220,100
Additions	2	–
	50,220,102	50,220,100
Less: Impairment loss	(35,771,133)	(35,618,112)
Balance at 30 June*	14,448,969	14,601,988

* Includes the investment in APAC Coal Limited with a carrying amount of approximately S$492,000 (2013: S$645,000) after the allowance for impairment loss of approximately S$35.8 million (2013: S$35.6 million).

Movements in the allowance for impairment loss of the Company's investments in subsidiaries during the financial year are as follows:

	Company	
	2014	**2013**
	S$	**S$**
Balance at 1 July	(35,618,112)	(35,183,190)
Allowance for the year	(153,021)	(434,922)
Balance at 30 June	(35,771,133)	(35,618,112)

As at 30 June 2014, the directors of the Company carried out an assessment on the recoverable amount of the Company's investments in subsidiaries, and consequently, recognised an allowance for impairment loss of approximately S$0.15 million (2013: S$0.4 million). The investment giving rise to the impairment loss relates to the quoted shares of one of the subsidiaries of the Company of which the directors of the Company had determined the recoverable amount is less than the carrying amount of its investment based on the market value of those quoted shares as at 30 June 2014.

14 Investments in Subsidiaries (cont'd)

(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 2014 %	2013 %
Held by the Company				
Antig Investments Pte. Ltd. ("Antig")	Investment holding	Singapore	100.00	100.00
MEG Global Ventures Pte. Ltd.[3]	Investment holding	Singapore	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	54.35	54.35
MEG Management Sdn Bhd[1]	Providing management services	Malaysia	100.00	100.00
APAC Coal Limited ("APAC")[2]	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	56.87	56.87
Held by Antig				
Wallmans Limited[9]	Investment holding	British Virgin Islands/ Singapore	–	100.00
Held by APAC				
PT Deefu Chemical Indonesia ("PT Deefu")[4]	Trading in chemical materials	Indonesia	56.87	56.87
Held by PT Deefu				
PT Batubara Selaras Sapta[4]	Coal mining and marketing of coal products	Indonesia	56.87	56.87
Held by MEG				
Mid-Continent Equipment (Australia) Pty Ltd ("ME Australia")[2]	Supply of oilfield and mining equipment	Australia	54.35	54.35
Mid-Continent Enterprises, LLC[5]	Holding of warehouse property	United States of America	54.35	54.35
Mid-Continent Equipment, Inc. ("MEI")[6,8]	Supply of oilfield equipment	United States of America	43.48	43.48
Mid-Continent Environmental Project Pte Ltd ("MEP")	Sale and rental of decanters and provision of environmental and waste management services	Singapore	54.35	54.35

14 Investments in Subsidiaries (cont'd)

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

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group 2014 %	2013 %
Held by ME Australia				
Tubular Leasing Australia Pty Ltd[2,7]	Renting or leasing drill pipes and drilling accessories	Australia	27.72	27.72
Mid-Continent Equipment NZ Limited[2]	Supply of oilfield and mining equipment	New Zealand	54.35	54.35

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

1 Audited by Moore Stephens AC, Johor Bahru, Malaysia.
2 Audited by Moore Stephens, Perth, Australia.
3 Incorporated during the year (see details below).
4 Audited by Paul Hadiwinata, Hidajat, Arsono, Ade Fatma & Rekan, Indonesia.
5 Not required to be audited under the laws of its country of incorporation and is not considered to be significant to the Group.
6 Audited by LaPorte CPA's and Business Advisors.
7 The entity is considered a subsidiary as the Group has power to govern the financial and operating policies of this entity.
8 Disposal of interest in subsidiary (see details below).
9 Disposed of during the current financial year (see details below).

Subsidiaries not audited by Moore Stephens LLP, Singapore or other member firms of Moore Stephens International were considered not to be significant to the Group for consolidation purposes.

(i) Incorporation of a subsidiary

During the current financial year, the Company incorporated a wholly owned subsidiary, MEG Global Ventures Pte. Ltd., in Singapore with an initial share capital of S$2.

(ii) Partial disposal of interest in subsidiary

During the previous financial year, Mid-Continent Equipment Group ("MEG"), a subsidiary of the Group, had disposed 20% of its equity interest in Mid-Continent Equipment, Inc. ("MEI") to an employee of MEI for a consideration of US$100,000 (equivalent to S$127,601). Following the disposal, MEG continued to hold an 80% equity interest in MEI. The Group's effective equity interest in MEI was accordingly reduced from 54.35% to 43.48%.

The above disposal did not result in loss of control, and accordingly, the partial disposal of the interest in the subsidiary had been accounted for as an equity transaction and the effect of the change of the Group's effective interest in MEI on the equity attributable to equity holders of the Company was as follows:

	2013 S$
Consideration received for disposal of interest	127,601
Increase in equity attributable to non-controlling interests	(150,712)
Decrease in equity attributable to equity holders of the Company	(23,111)

14 Investments in Subsidiaries (cont'd)

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

(iii) Disposal of a subsidiary

During the current financial year, Antig Investments Pte. Ltd. ("Antig"), a wholly owned subsidiary of the Group, entered into a sale and purchase agreement with Enchante Services Inc. (the "Purchaser") for the disposal of its 100% equity interest in Wallmans Limited ("Wallmans") for a cash consideration of S$10,045.

Details of the assets and liabilities disposed of at the date of disposal, the date of which the control was passed to the Purchaser, the calculation of the gain or loss on disposal and the effects of the disposal on the cash flows of the Group are as follows:

	Group 2014 S$
Carrying amounts of assets and liabilities disposed:	
Other financial assets	2,866,000
Trade and other receivables	1,100
Cash and bank deposits	10,078
Total assets	2,877,178
Other payables	3,834,501
Total liabilities	3,834,501
Net liabilities disposed	(957,323)

The net cash outflow arising from the disposal of the subsidiary is as follows:

	Group 2014 S$
Net liabilities disposed of (as above)	(957,323)
Gain on disposal of a subsidiary	967,368
Cash consideration from disposal	10,045
Less: Cash and cash equivalents in subsidiary disposed	(10,078)
Net cash outflow on disposal of a subsidiary	(33)

15 Investments in Associated Companies

(a) Investments in associated companies comprised:

	Group 2014 S$	Group 2013 S$
Equity investments, at cost	22,350	22,350
Share of post-acquisition losses:		
Balance at 1 July	(20,617)	(20,610)
Currency realignment	(24)	(7)
Balance at 30 June	(20,641)	(20,617)
	1,709	1,733

The summarised financial information of the associated companies as at and for the financial year ended 30 June, not adjusted for the percentage of equity interest held by the Group, are as follows:

	2014	2013
- Assets	43,920	46,475
- Liabilities	1,264	1,282
- Net loss	–	(281)

(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	
		2014 S$	2013 S$	2014 %	2013 %
Held by MEG					
Mohebi – Midcontinent Oilfield Supply Limited Liability Company[1] United Arab Emirates	Trading in oilfield equipment and spare parts	350	350	26.63	26.63
Held by MEP					
MEP Environmental Services Sdn Bhd[2] Malaysia	Provision of environmental and waste management services	22,000	22,000	27.18	27.18
		22,350	22,350		

1 Audited by Ernst & Young, United Arab Emirates.
2 Audited by Yap & Associates, Certified Public Accounting, Malaysia.

16 Investments in Joint Venture Entities

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	
		2014	2013
		%	%
Held by MEG			
Mid-Continent Tubular Pte Ltd[1] Singapore	Trading in oilfield tubular products and the provision of related services	27.18	27.18
GSO Pte Ltd[1] 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	27.18	27.18
Held by MEP			
Plant Tech Mid-Continent (India) Pvt. Ltd.[2] India	Catalyst handling and reactor maintenance, hot-topping and allied services, and bolt tensioning services	27.18	27.18
MEP Waste Management (M) Sdn Bhd[3] Malaysia	Provision of environmental and waste management services	27.18	27.18

1 Audited by Moore Stephens LLP, Singapore.
2 Audited by Nitin J. Shetty & Co, Chartered Accountant, India.
3 Audited by H. H. Tan & Co, Chartered Accountant, Malaysia.

The Group's share of the joint venture entities' assets and liabilities as at 30 June, which have been consolidated on a line-by-line basis, are as follows:

	Group	
	2014	2013
	S$	S$
Current assets	2,231,498	4,954,219
Non-current assets	324,946	362,759
Current liabilities	(299,343)	(2,539,320)
Non-current liabilities	(43,529)	(64,569)

The Group's share of the joint venture entities' income and expenses for the financial year ended 30 June, which have been consolidated on a line-by-line basis, are as follows:

	Group	
	2014	2013
	S$	S$
Revenue	2,842,314	4,102,081
Expenses	(3,296,053)	(4,600,501)

17 Goodwill

	Group	
	2014	2013
	S$	S$
Cost		
Balance at 1 July and 30 June	1,569,703	1,569,703

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

	Group	
	2014	2013
	S$	S$
Mid-Continent Equipment Group Pte Ltd	1,569,703	1,569,703

The recoverable amount of a CGU is determined from a value-in-use calculation. The key assumptions for the value-in-use calculation are those regarding the discount rates, growth rates and direct costs during the relevant years. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGU.

Mid-Continent Equipment Group Pte Ltd (the "CGU") prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years. Management has assumed an estimated revenue growth rate of 1% for the next 5 years (2013: 5% for the next 5 years). Management has also used a 3% (2013: 1%) growth rate to calculate the terminal value for periods beyond the 5 years. The rate used to discount the cash flow forecasts of the CGU was 5.1% (2013: 8.6%).

Sensitivity analysis

Management has considered the possibility of an increase/decrease in the estimated growth rate and the discount rate used. Based on management's assessment, the recoverable amount of the CGU is in excess of its carrying amount, and accordingly, no allowance for impairment of goodwill is required as at 30 June 2014.

18 Other Intangible Assets

	Group	
	Cost and Carrying Amount	
	2014	2013
	S$	S$
Petroleum Exploration License		
- 20% (2013: 20%) participating interest for the exploration of an area covered by the Petroleum Exploration License ("PEL") 101 granted under the Petroleum Act 2000 of South Australia		
Balance at 1 July	4,431,893	4,365,510
Additions	2,348	151,316
Currency realignment	(174,664)	(84,933)
Balance at 30 June	4,259,577	4,431,893

18 Other Intangible Assets (cont'd)

	Group	
	Cost and Carrying Amount	
	2014	2013
	S$	S$
Coal Concession Rights		
- 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	23,487,100	26,221,510
Currency realignment	395,850	(2,734,410)
Balance at 30 June	23,882,950	23,487,100
- 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	1,030,271	1,073,958
Currency realignment	(149,159)	(43,687)
Balance at 30 June	881,112	1,030,271
	24,764,062	24,517,371
Total other intangible assets	29,023,639	28,949,264

Movements in the account during the financial year are as follows:

	Group	
	2014	2013
	S$	S$
Cost		
Balance at 1 July	62,639,246	65,350,960
Additions:		
- Petroleum Exploration License	2,348	151,316
Currency alignment	72,027	(2,863,030)
Balance at 30 June	62,713,621	62,639,246
Accumulated impairment loss		
Balance at 1 July and 30 June – Coal Concession Rights	(33,689,982)	(33,689,982)
Balance at 30 June	29,023,639	28,949,264

Petroleum Exploration License

During the previous financial year, the Group's participating interest in PEL 101 was diluted from 40% in 2012 to 20% in 2013 as the Group had transferred 50% of its ownership (i.e. 20%) to the other joint venture partner in accordance with the relevant assignment deeds and agreements. The transfer was made for Nil consideration as the other joint venture partner had funded the increased investment in the exploration of PEL 101 in 2013.

18 Other Intangible Assets (cont'd)

Coal Concession Rights

The Coal Concession Rights, included in the Group's consolidated balance sheet, at a carrying amount of approximately S$24.8 million (2013: S$24.5 million) with a corresponding deferred tax liability of approximately S$7.2 million (2013: S$7.0 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 had informed the Group that another party is also registered as the legal owners of PT BSS. In 2009, the Group had 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 had 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 are 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 Indonesia on 25 June 2013. At the date of authorisation of these financial statements, the Government of the Republic of Indonesia has not responded to the Notice.

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.

Impairment loss – Coal Concession Rights

The impairment loss of S$33,689,982 made in 2009 was related to the impairment of the Coal Concession Rights. This 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 8.9km^2 investigation area with an indicated resource aggregating approximately 6.79 million tonnes of coal, and the remaining exploration potential of the coal concession comprising 222km^2. The independent valuer had applied the In-situ Method of valuing the mineral resources associated with the 8.9 km^2 investigation area and the Comparable Transaction Method to value the remaining exploration potential comprising 222km^2 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 Group's ownership interest in PT BSS, as described in the preceding paragraphs of this note, is 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 is 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 2014. Accordingly, the investment has been included in the Group's consolidated balance sheet at its carrying amount as disclosed in this note.

19 Other Financial Assets

	Group		Company	
	2014	2013	2014	2013
	S$	S$	S$	S$
Available-for-sale financial assets				
Quoted equity shares, at fair value*	4,969,666	50,373,237	124,096	31,760,775
Accumulated impairment				
Balance at the beginning of the year	–	–	–	–
Impairment loss	178,556	–	103,904	–
Balance at the end of the year	178,556	–	103,904	–
Net carrying amount	4,791,110	50,373,237	20,192	31,760,775
Financial assets held for trading				
Quoted warrants, at fair value	7,408	207,445	5,844	163,625
Quoted equity shares, at fair value	–	540,000	–	540,000
Balance at the end of the year	7,408	747,445	5,844	703,625
Total other financial assets	4,798,518	51,120,682	26,036	32,464,400
Classified as:				
- Non-current	4,798,518	50,580,682	26,036	31,924,400
- Current	–	540,000	–	540,000

* Included the Loaned Shares amounting to S$13.5 million in previous financial year as further explained below.

During the previous financial year, Antig Investments Pte. Ltd. ("Antig"), a wholly owned subsidiary of the Group, entered into a shares lending agreement (the "Shares Lending Agreement") with a third party individual (the "Borrower") whereby Antig agreed to lend certain of its investment in quoted equity shares (the "Loaned Shares"), classified above as available-for-sale financial assets, to the Borrower. The Loaned Shares had a fair value of S$14.5 million on the date of transfer and incurred interest of 6% per annum. The Lending Agreement was to mature on 30 June 2014 and was collateralised by a pledge of the Borrower's investment in other quoted equity shares (the "Pledged Shares").

During the current financial year, the Company entered into two shares lending agreements (the "Shares Lending Agreements") with a third party individual (the "Borrower") whereby the Company agreed to lend certain of its investment in quoted equity shares (the "Loaned Shares"), classified above as available-for-sale financial assets, to the Borrower. The Loaned Shares had a fair value of S$23.3 million on the date of transfer and incurred interest of 6% per annum. The Lending Agreements were to mature not later than 12 months from the date of the agreements and are collateralised by a pledge of the Borrower's investment in other quoted equity shares (the "Pledged Shares").

Pursuant to the terms of the Shares Lending Agreements, notwithstanding the legal titles of the Loaned Shares have been passed from the Company/Antig to the respective Borrowers on transfer of the Loaned Shares, the Company/Antig retained substantially all the risks and rewards of ownership of the Loaned Shares, and accordingly, the Group continued to account for the Loaned Shares as its available-for-sale financial assets prior to the settlement arrangements as further described below.

On 30 April 2014, all the Shares Lending Agreements mentioned above were terminated and each party shall possess and retain the Loan Securities and Pledged Securities accordingly. However, the fair value of the Pledged Securities were insufficient and fell short of the fair value of the Loan Securities held by the respective Borrowers, and accordingly, a director of the Company agreed that the said shortfall owing by the Borrowers to the Company/Antig including interest arrears totalling S$2.48 million shall be offset against the advances from him to the Company amounting to S$2.53 million (see Note 37).

20 Inventories

	Group 2014 S$	Group 2013 S$
At cost		
Finished goods	5,444,970	4,273,512
Goods-in-transit	1,567,407	1,225,761
Work-in-progress	91,911	215,227
	7,104,288	5,714,500
At net realisable value		
Finished goods	471,396	1,408,449
Total inventories	7,575,684	7,122,949
Cost of inventories sold included in cost of sales amounted to:	39,427,122	39,352,475

During the financial year ended 30 June 2014, the Group made allowance for inventory obsolescence and wrote off inventories of S$230,833 and S$167,416 (2013: S$791,731 and S$412,455), respectively.

21 Trade and Other Receivables

	Group 2014 S$	Group 2013 S$	Company 2014 S$	Company 2013 S$
Trade receivables	6,679,121	7,032,791	–	–
Less: Impairment loss	(12,895)	(43,660)	–	–
	6,666,226	6,989,131	–	–
Advance to suppliers	294,621	216,765	–	–
Other receivables	574,202	498,270	6,697	237,680
Deposits	687,054	663,992	587,953	582,777
Prepayments	72,854	91,201	27,291	21,513
Other interest receivable	66,577	66,577	–	–
Interest receivable on Loaned Shares (Note 19)	–	653,400	–	–
Advances to staff	–	6,410	–	–
Other taxes recoverable	32,536	42,765	–	–
	8,394,070	9,228,511	621,941	841,970

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

Included in deposits are legal fee deposits amounting to approximately S$562,848 (2013: S$562,848) incurred by the Group mainly in relation to the Arbitration (Note 33) the Group is currently involved in.

21 Trade and Other Receivables (cont'd)

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	
	2014	2013
	S$	S$
Balance at 1 July	43,660	17,568
Reversal of allowance	(12,236)	–
Allowance written off	(17,904)	–
Allowance for the year	–	26,534
Currency alignment	(625)	(442)
Balance at 30 June	12,895	43,660

22 Related Parties Balances

The amounts due from/(to) related parties (refer to Note 37 for the definition of related parties) comprised:

	Group		Company	
	2014	2013	2014	2013
	S$	S$	S$	S$
Due from:				
- Subsidiaries* (non-trade)	–	–	4,432,086	1,496,594
- Joint venture entities (trade)	201,201	1,988,364	–	–
- Other related parties (trade)	18,767	37,539	–	–
	219,968	2,025,903	4,432,086	1,496,594

* Includes an amount due from APAC Coal Limited of approximately S$646,000 (2013: S$1.2 million).

	Group		Company	
	2014	2013	2014	2013
	S$	S$	S$	S$
Due (to):				
- Subsidiaries** (non-trade)	–	–	(2,468,282)	(4,569,860)
- Joint venture entities (trade)	(18,736)	(8,597)	–	–
- Other related parties (trade)	(408,135)	(2,870,205)	–	–
	(426,871)	(2,878,802)	(2,468,282)	(4,569,860)

** Includes a term loan amount due to APAC Coal Limited of AUD2.1 million (2013: AUD2.5 million) (approximately S$2.5 million) (2013: approximately S$2.9 million) which is secured by a charge of all monies which are acceptable to the Lender with a combined value of not less than AUD2.1 million, carries a 7% (2013: 8%) interest per annum and is 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.

23 Cash and Bank Deposits

	Group		Company	
	2014	2013	2014	2013
	S$	S$	S$	S$
Cash and bank balances	4,681,534	6,269,052	25,177	320,306
Short-term deposits	–	122,110	–	–
	4,681,534	6,391,162	25,177	320,306

Short-term deposits are made for varying periods of between 1 to 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates, which are not material.

24 Fixed Deposits

	Group		Company	
	2014	2013	2014	2013
	S$	S$	S$	S$
Fixed deposits (restricted)	5,252,797	5,283,250	–	–
Fixed deposits (unrestricted)	10,199,994	10,814,256	–	–
	15,452,791	16,097,506	–	–

Fixed deposits bear interest ranging from 0.07% to 9.35% (2013: 0.07% to 9.35%) per annum and have maturity periods ranging from 1 to 12 months (2013: 1 to 12 months).

The above restricted fixed deposits are pledged as security against borrowings as disclosed in Note 27.

25 Trade and Other Payables

	Group		Company	
	2014	2013	2014	2013
	S$	S$	S$	S$
Trade payables	6,033,476	6,291,336	336	336
Other payables	467,648	911,769	329,303	617,589
Amount due to Phillip Securities	1,720,000	–	1,720,000	–
Amount due to a director	158,890	1,496,931	153,891	1,399,507
Accrued operating expenses	269,512	272,712	152,806	962,361
	8,649,526	8,972,748	2,356,336	2,979,793

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

During the current financial year, the Company entered into an agreement with Phillip Securities Pte Ltd ("Phillip Securities") for the repayment of debts outstanding amounting to S$1,720,000 (the "Debt"). The Debt bears interest at a rate of 4.5% per annum, repayable in tranches over a term of one year commencing on 23 June 2014 at the request of Phillip Securities.

25 Trade and Other Payables (cont'd)

Under the terms of the agreement, the Company has the option to repay the entire Debt in cash or to issue up to 110,950,617 new ordinary shares in the capital of the Company at an issue price equal to 90% of the volume weighted average price of the Shares for the full market day preceding the date of the repayment demand from Phillip Securities (see Note 42(a) for further details).

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

26 Bank Overdrafts

The effective interest rates of the unsecured bank overdrafts are 5.75% to 9% (2013: 5.75% to 9%) per annum.

27 Borrowings

	Group		Company	
	2014	**2013**	**2014**	**2013**
	S$	**S$**	**S$**	**S$**
Long-term borrowings				
Bank borrowings – (a)	74,440	135,950	–	–
Bank borrowings – (b)	42,030	–	–	–
Total borrowings	116,470	135,950	–	–
Classified as:				
- Current	48,374	32,455	–	–
- Non-current	68,096	103,495	–	–

(a) The loans taken by a joint venture entity are denominated in Indian Rupee, bear interest at 5% (2013: 5%) per annum above the bank's prime lending rate, with a minimum of 15.5% (2013: 15.5%) per annum compounded monthly and repayable in monthly instalments up to 10 August 2016. The loan is secured on:

- a standby letter of credit from a bank in Singapore;
- a personal guarantee from the directors of a subsidiary, guarantee from a corporate shareholder of a subsidiary and a hypothecation of machinery of a joint venture entity (Note 13) in India; and
- a first floating charge on all its undertaking, other property, assets and rights of the joint venture entity.

(b) The loans taken by a joint venture entity are denominated in Indian Rupee, bear interest at a range of 12.1% to 18.75% per annum calculated on the basis of monthly reducing balance and repayable in monthly instalments up to 15 October 2018.

28 Finance Lease Obligations

	Group 2014 S$	Group 2013 S$	Company 2014 S$	Company 2013 S$
Minimum lease payments payable:				
Due not later than one year	11,315	12,493	–	12,493
Due later than one year and not later than five years	36,557	–	–	–
	47,872	12,493	–	12,493
Finance charges allocated to future years	(6,125)	(226)	–	(226)
Present value of minimum lease payments	41,747	12,267	–	12,267
Classified as:				
- Non-current	31,793	–	–	–
- Current	9,954	12,267	–	12,267

The effective interest rate of the finance lease obligations is 5.61% (2013: 3.50% to 8.03%) per annum.

29 Share Capital

	Group and Company 2014 Number of shares	Group and Company 2014 S$	Group and Company 2013 Number of shares	Group and Company 2013 S$
Ordinary shares issued and fully paid:				
Balance at 1 July and 30 June	2,048,678,060	120,126,816	2,048,678,060	120,126,816

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.

30 Reserves

	Group 2014 S$	Group 2013 S$	Company 2014 S$	Company 2013 S$
Fair value reserve (a)	962,107	40,840,219	–	27,414,822
Translation reserve (b)	(7,669,897)	(7,806,642)	–	–
Accumulated losses	(80,110,506)	(71,963,758)	(105,344,630)	(105,338,920)
	(86,818,296)	(38,930,181)	(105,344,630)	(77,924,098)

30 Reserves (cont'd)

(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	
	2014	**2013**
	S$	**S$**
Balance at 1 July	40,840,219	37,298,735
Fair value (loss)/gain on revaluation of available-for-sale financial assets during the year	(40,268,729)	4,234,037
Reversal of fair value loss/(gain) to profit or loss on disposal of available-for-sale financial assets during the year	392,038	(693,124)
Deferred tax on fair value changes to available-for-sale financial assets	127	3,143
Foreign currency translation differences	(1,548)	(2,572)
Balance at 30 June	962,107	40,840,219

(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 during the financial year are as follows:

	Group	
	2014	**2013**
	S$	**S$**
Balance at 1 July	(7,806,642)	(6,265,407)
Exchange difference arising on translating the net assets of foreign operations	136,745	(1,541,235)
Balance at 30 June	(7,669,897)	(7,806,642)

31 Commitments

(a) Operating lease commitments

The Group leases certain of its office premises under 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 reporting date not recognised as liabilities in the financial statements are as follows:

	Group	
	2014	2013
	S$	S$
Within 1 year	184,199	227,586
After 1 year to 5 years	452,573	399,484
After 5 years	3,284,446	3,218,945
	3,921,218	3,846,015

(b) Capital expenditure commitments

The Group has capital expenditure commitments contracted for as at the reporting date but not recognised as liabilities in the financial statements as follows:

	Group	
	2014	2013
	S$	S$
Investment in PEL 101	3,386,000	–

32 Warranty and Guarantees

	Group		Company	
	2014	2013	2014	2013
	S$	S$	S$	S$
Product warranty	14,500	34,500	14,500	34,500
Bankers' guarantees (a)	106,798	117,720	–	–

(a) 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.

33 The Arbitration

In August 2010, Tjong Very Sumito, Iman Haryanto and Herman Aries Tintowo (the "Plaintiffs") in a Writ of Summons issued to the Company and Antig Investments Pte Ltd ("Antig"), a wholly owned subsidiary of the Company, (collectively referred to as the "Defendants"), alleged that the Defendants had made certain payments to Aventi Holdings Ltd and Overseas Alliance Finance Limited which were not in accordance with the conditional sale and purchase agreement ("SPA") in relation to the acquisition of a 72% interest in PT Deefu Chemical Indonesia ("PT Deefu") and was to have given the Company an indirect ownership and right to mine and extract coal from the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia.

33 The Arbitration (cont'd)

The Plaintiffs were claiming approximately US$6.72 million and 166,959,091 shares (with a market value of at least US$5.75 million) of the Company or for damages to be assessed. In addition, the Plaintiffs were claiming approximately US$6.3 million in respect of the sale of a 28% interest in PT Deefu and 5% interest in PT Batubara Selaras Sapta. Subsequent to a hearing held in November 2010, the Singapore High Court ordered that all further proceedings in this action against the Defendants be stayed in favour of arbitration, with costs also ordered against the Plaintiffs.

In April 2011, the Company received another Writ of Summons made by the Plaintiffs to attend before the Registrar in Chambers, on hearing of an application by the Plaintiffs that the stay order against the Defendants be lifted for the limited purpose of discovery and production of documents. The application was subsequently rejected by the Singapore High Court.

Subsequently in June 2011, the Company and Antig (collectively the "Claimants") initiated arbitration proceedings (the "Arbitration") against Tjong Very Sumito, Iman Haryanto and Hermen Aries Tintowo (collectively the "Respondents") for various breaches of the above mentioned SPA. The Claimants are seeking rescission of the SPA in the Arbitration or damages in lieu thereof. Alternatively, the sum of AUD24,624,000 is claimed for loss and damage suffered.

The Respondents have made a counterclaim and an additional counterclaim in the Arbitration against the Claimants, for the same sums as disclosed in the preceding paragraphs of this note.

Subsequent to the initiation of the above arbitration, the Company received a "Notice of Discontinuance" from the Singapore High Court indicating that the Plaintiffs had wholly discontinued their legal action against the Company and Antig.

The Arbitration is currently being held in abeyance pending discussions between the parties on the manner in which the proceedings are to move forward. The directors of the Company have been advised by its legal counsel that it is difficult at this stage to determine the possible outcome of the Arbitration. No provision has been made in the financial statements in connection with the Arbitration.

34 Writ of Summons

On 18 July 2012, the Company announced that a Writ of Summons ("Suit") had been filed in the Subordinate Court of Singapore (the "Court") against the Company (the "Defendant") by Lonpac Insurance Berhad (the "Plaintiff").

As ordered by the Ministry of Manpower, the Plaintiff had made a compensation payment of approximately S$109,000 ("Sum") to a worker, employed by the Company on 12 April 2006 under the Workmen's Compensation Act (Cap. 354). The Plaintiff alleged that such compensation is not covered by the policy issued by it and is seeking to recover the said Sum, interest, costs and other reliefs that might be awarded by the Court from the Defendant.

At the time of the accident, the Company was a sub-contractor to Victrad Enterprise Pte Ltd ("Victrad"), a former subsidiary of the Company, which the Company had disposed of in 2006. In this connection, Victrad has provided written confirmation, via its lawyers, on 17 July 2012 to assume full liability for the Suit and has since appointed its lawyers to act on behalf of the Company and expressly provided full indemnity to the Company on all claims, interest and costs (including legal costs) arising from and relating to the Suit.

On 5 October 2012, a statement of claim was filed by the Company in which the Company had denied the Plaintiff's claims but in the event that the Company will be held liable, the Company will then seek indemnity from the third party, Jingle Interior Decorations (S) Pte Ltd ("Jingle"), for breach of their agreement to take up workmen's compensation policy coverage. At that time, Jingle had engaged Victrad to carry out the work which Victrad had then sub-contracted to the Company. On 30 October 2012, Jingle filed a defence denying the aforesaid claim by the Company.

On 20 March 2014, the Company received a Notice of Discontinuance from the Plaintiff, and accordingly, the Plaintiff has wholly discontinued its legal action against the Company.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2014

35 Investigation in 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 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.

36 Assistance in the Investigations of the Commercial Affairs Department

On 2 April 2014, MEG Global Ventures Pte. Ltd. ("MGV") and APAC Coal Limited ("APAC"), wholly owned subsidiaries of the Group, together with Wallmans Limited ("Wallmans"), the former subsidiary of the Group, received Notices from the Commercial Affairs Department of the Singapore Police Force ("CAD") requiring MGV, APAC and Wallmans' assistance with the CAD's investigations into an offence under the Securities and Futures Act, Chapter 289 (the "SFA").

Further, on 29 April 2014, the Company and Antig Investments Pte. Ltd. ("Antig"), a wholly owned subsidiary of the Company, also each received a notice from the CAD requiring the Company's and Antig's assistance with the foregoing CAD's investigations.

The CAD has requested for access to the followings 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 Mr. Koh Teng Kiat ("Mr. Koh"), the ex-Executive Director of the Company and Mr. Luke Ho Khee Yong ("Mr. Ho"), the Chief Financial Officer of the Company; and
iv) Any other relevant documents.

The Company has also been informed that Mr. Koh and Mr. Ho have been requested to assist the CAD in its investigations. Mr. Koh and Mr. Ho have indicated that they 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 employees and/or directors who are assisting in the investigations shall continue to serve and function in their 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.

37 Related Party Transactions

A related party is an entity or person that directly or indirectly through one or more intermediaries controls, is controlled by, or its under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family of any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual.

37 Related Party Transactions (cont'd)

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below:

	Group	
	2014	**2013**
	S$	**S$**
Associated companies:		
- Other services received	–	3,492
Joint venture entities:		
- Sales	103,994	445,419
- Purchases	(567,713)	(2,224,969)
- Service fee income	221,817	474,373
Others:		
- Consultancy fees paid to a shareholder of a subsidiary	(360,198)	(25,000)
- Advances from a director	2,530,000	–
- Settlement of Shares Lending Agreements (Note 19)	(2,482,688)	–

Outstanding balances with related parties at the balance sheet date are disclosed in Note 22.

Key management personnel compensation

	Group		Company	
	2014	**2013**	**2014**	**2013**
	S$	**S$**	**S$**	**S$**
Wages, salaries and bonuses	1,632,023	2,057,408	654,826	640,024
Defined contribution plans	35,495	39,967	16,336	19,452
	1,667,518	2,097,375	671,162	659,476

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.

38 Share Options

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

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

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

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

(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 Group Executives and Non-Executive Directors 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 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.

At the end of the financial year, there were no outstanding non-discounted share options.

There was no share award given in the current or previous financial years. There were also no discounted share options granted since the commencement of the Share Schemes.

(b) APAC Coal Employee Share Option Plan

A subsidiary of the Group, APAC Coal Limited ("APAC"), adopted 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.

38 Share Options (cont'd)

(b) APAC Coal Employee Share Option Plan (cont'd)

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 employment of APAC.

(c) Share options in existence during the year

As at 30 June 2014 and 2013, there were no unissued ordinary shares of the Group and the Company under non-discounted share options granted to eligible persons of the Group and the Company.

39 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. 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
- Investment holding

39 Segment Information (cont'd)

(a) Business Segments (cont'd)

	Oilfield equipment supply and services S$	Investment holding S$	Total S$
Group			
2014			
Segment revenue and results			
External revenue	49,829,603	–	49,829,603
Profit/(Loss) from operations	1,624,354	(10,818,726)	(9,194,372)
Unallocated finance income			2,027,352
Unallocated finance costs			(334,637)
Loss before income tax			(7,501,657)
Unallocated income tax			(477,338)
Loss after income tax			(7,978,995)
Segment assets and liabilities			
Current assets	35,639,665	684,382	36,324,047
Unallocated non-current assets			12,564,716
Unallocated intangible assets			29,023,639
Consolidated assets			77,912,402
Current liabilities	7,269,480	2,616,386	9,885,866
Unallocated current and non-current liabilities:			
Borrowings			116,470
Finance lease obligations			41,747
Income tax liabilities			582,081
Deferred income tax liabilities			7,265,426
Consolidated liabilities			17,891,590
Other segment information			
Capital expenditure	396,346	33,241	429,587
Depreciation	647,620	25,817	673,437
Other non-cash items*	(188,498)	(8,425,330)	(8,613,828)

* Other non-cash items mainly include the net effects of loss on disposal of available-for-sale financial assets and financial assets held for trading, fair value loss of financial assets held for trading, gain on disposal of property, plant and equipment and a subsidiary, allowances for inventory obsolescence, inventories written off, reversal of fair value loss from equity upon disposal of available-for-sale financial assets and impairment loss of available-for sale financial assets.

39 Segment Information (cont'd)

(a) Business Segments (cont'd)

	Oilfield equipment supply and services S$	Investment holding S$	Total S$
Group			
2013			
Segment revenue and results			
External revenue	50,817,670	–	50,817,670
Profit/(Loss) from operations	4,925,940	(1,013,169)	3,912,771
Unallocated finance income			903,382
Unallocated finance costs			(223,067)
Profit before income tax			4,593,086
Unallocated income tax			(997,760)
Profit after income tax			3,595,326
Segment assets and liabilities			
Current assets	39,040,563	2,365,468	41,406,031
Unallocated non-current assets			58,842,406
Unallocated intangible assets			28,949,264
Consolidated assets			129,197,701
Current liabilities	9,869,477	2,681,749	12,551,226
Unallocated current and non-current liabilities:			
Borrowings			135,950
Finance lease obligations			12,267
Income tax liabilities			643,813
Deferred income tax liabilities			7,383,445
Consolidated liabilities			20,726,701
Other segment information			
Capital expenditure	639,446	16,235	655,681
Depreciation	707,543	39,445	746,988
Other non-cash items*	2,730,256	792,388	3,522,644

* Other non-cash items mainly include the net effects of gain on disposal of available-for-sale financial assets, loss on disposal of financial assets held for trading, fair value loss of financial assets held for trading, gain on disposal of property, plant and equipment, allowances for inventory obsolescence, inventories and fixed assets written off, impairment loss on trade receivables and reversal of fair value gain from equity upon disposal of available-for-sale financial assets.

39 Segment Information (cont'd)

(b) Geographical Segments

	Singapore	Australia	Malaysia	Indonesia	United States of America	United Arab Emirates	Others*	Total
	S$	S$	S$	S$	S$	S$	S$	S$
Group								
2014								
Revenue	16,908,065	7,638,804	4,664,622	3,584,172	5,786,827	3,993,039	7,254,074	49,829,603
Non-current assets**	5,871,761	5,237,596	94,416	24,765,058	391,423	–	429,583	36,789,837
2013								
Revenue	19,965,568	7,143,490	3,986,884	5,242,687	4,534,038	2,744,417	7,200,586	50,817,670
Non-current assets**	5,971,859	5,727,254	120,521	24,520,188	394,058	–	477,108	37,210,988

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.

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

** Non-current assets exclude other financial assets of the segment.

(c) Information about Major Customers

Included in revenues arising from oilfield equipment supply and services segments of S$49,829,603 (2013: S$50,817,670) are revenues of approximately S$2,026,000 (2013: S$6,491,000) which arose from sales to the Group's largest customer.

40 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 review and agree on policies for managing the various financial risks.

(a) Market risk

Currency risk

The currency risk of the Group and the Company arises mainly from entities operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies, primarily Australian Dollar and United States Dollar, 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 minimal level.

40 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

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$	Others S$	Total S$
Group					
2014					
Financial assets					
Other financial assets	–	–	86,783	4,711,735	4,798,518
Trade and other receivables	5,200,595	758,319	1,950,166	379,600	8,288,680
Related parties balances	20,048	–	199,920	–	219,968
Cash and bank deposits	3,485,941	572,216	547,780	75,597	4,681,534
Fixed deposits	4,340,475	8,692,235	2,396,529	23,552	15,452,791
	13,047,059	10,022,770	5,181,178	5,190,484	33,441,491
Financial liabilities					
Trade and other payables	(3,736,139)	(858,786)	(3,631,859)	(422,742)	(8,649,526)
Bank overdrafts	(754,720)	–	–	(54,749)	(809,469)
Related parties balances	(139,403)	–	–	(287,468)	(426,871)
Borrowings	–	–	–	(116,470)	(116,470)
Finance lease obligations	–	–	(41,747)	–	(41,747)
	(4,630,262)	(858,786)	(3,673,606)	(881,429)	(10,044,083)
Currency exposure on net financial assets	8,416,797	9,163,984	1,507,572	4,309,055	23,397,408
Assets denominated in functional currencies	(6,671,417)	(5,649,881)	(2,765,083)	–	(15,086,381)
Net currency exposure	1,745,380	3,514,103	(1,257,511)	4,309,055	8,311,027
2013					
Financial assets					
Other financial assets	–	–	51,120,682	–	51,120,682
Trade and other receivables	5,589,681	769,875	2,319,324	415,665	9,094,545
Related parties balances	1,726,947	–	124,518	174,438	2,025,903
Cash and bank deposits	3,267,440	1,092,851	1,748,461	282,410	6,391,162
Fixed deposits	5,665,758	8,098,859	2,294,796	38,093	16,097,506
	16,249,826	9,961,585	57,607,781	910,606	84,729,798
Financial liabilities					
Trade and other payables	(4,174,357)	(994,034)	(3,274,983)	(529,374)	(8,972,748)
Bank overdrafts	–	–	–	(699,676)	(699,676)
Related parties balances	(2,504,460)	–	(25,465)	(348,877)	(2,878,802)
Borrowings	–	–	–	(135,950)	(135,950)
Finance lease obligations	–	–	(12,267)	–	(12,267)
	(6,678,817)	(994,034)	(3,312,715)	(1,713,877)	(12,699,443)
Currency exposure on net financial assets/ (liabilities)	9,571,009	8,967,551	54,295,066	(803,271)	72,030,355
Assets denominated in functional currencies	(7,131,784)	(5,178,254)	(49,645,532)	–	(61,955,570)
Net currency exposure	2,439,225	3,789,297	4,649,534	(803,271)	10,074,785

40 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

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$	Others S$	Total S$
Company					
2014					
Financial assets					
Other financial assets	–	–	26,036	–	26,036
Trade and other receivables	–	–	594,650	–	594,650
Related parties balances	–	–	4,432,086	–	4,432,086
Cash and bank deposits	1,438	–	23,739	–	25,177
	1,438	–	5,076,511	–	5,077,949
Financial liabilities					
Trade and other payables	(11,052)	–	(2,345,284)	–	(2,356,336)
Related parties balances	–	(2,468,282)	–	–	(2,468,282)
	(11,052)	(2,468,282)	(2,345,284)	–	(4,824,618)
Currency exposure on net financial (liabilities)/assets	(9,614)	(2,468,282)	2,731,227	–	253,331
Assets denominated in functional currencies	–	–	(2,731,227)	–	(2,731,227)
Net currency exposure	(9,614)	(2,468,282)	–	–	(2,477,896)
2013					
Financial assets					
Other financial assets	–	–	32,464,400	–	32,464,400
Trade and other receivables	–	–	820,457	–	820,457
Related parties balances	–	1,047,966	448,628	–	1,496,594
Cash and bank deposits	1,461	–	318,845	–	320,306
	1,461	1,047,966	34,052,330	–	35,101,757
Financial liabilities					
Trade and other payables	–	(794,152)	(2,185,641)	–	(2,979,793)
Related parties balances	–	(2,892,500)	(1,505,216)	(172,144)	(4,569,860)
Finance lease obligations	–	–	(12,267)	–	(12,267)
	–	(3,686,652)	(3,703,124)	(172,144)	(7,561,920)
Currency exposure on net financial assets/(liabilities)	1,461	(2,638,686)	30,349,206	(172,144)	27,539,837
Assets denominated in functional currencies	–	–	(30,349,206)	–	(30,349,206)
Net currency exposure	1,461	(2,638,686)	–	(172,144)	(2,809,369)

40 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Currency risk (cont'd)

If the Australian Dollar and United States Dollar 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:

	2014		**2013**	
	Increase/(Decrease)			
	Loss before income tax	**Equity**	**Profit before income tax**	**Equity**
	S$	**S$**	**S$**	**S$**
Group				
Australian Dollar against Singapore Dollar				
- strengthened	(175,705)	175,705	189,465	157,256
- weakened	175,705	(175,705)	(189,465)	(157,256)
United States Dollar against Singapore Dollar				
- strengthened	(87,269)	87,269	121,961	101,228
- weakened	87,269	(87,269)	(121,961)	(101,228)
Company				
Australian Dollar against Singapore Dollar				
- strengthened	123,414	(123,414)	(131,934)	(109,505)
- weakened	(123,414)	123,414	131,934	109,505
United States Dollar against Singapore Dollar				
- strengthened	481	(481)	73	61
- weakened	(481)	481	(73)	(61)

40 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Price risk

The Group and the Company are exposed to equity securities market price risk from its investments which are classified in the balance sheet as other financial assets. Certain of these financial instruments are quoted equity securities in Singapore and Australia.

If prices for quoted equity securities listed in the countries mentioned above increase/(decrease) by the 5% with all other variables including tax rates being held constant, the Group's and the Company's (loss)/profit 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:

	2014 Equity S$	2013 Equity S$
Group		
Listed in London:		
- increased by	235,587	–
- decreased by	(235,587)	–
Listed in Singapore:		
- increased by	3,367	2,528,049
- decreased by	(3,367)	(2,528,049)
Listed in Australia:		
- increased by	868	1,157
- decreased by	(868)	(1,157)
Company		
Listed in Singapore:		
- increased by	1,302	1,596,220
- decreased by	(1,302)	(1,596,220)

40 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Interest rate risks

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 bank 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 27) and finance lease obligations (Note 28).

For the variable interest-bearing bank borrowings, the Group's (loss)/profit before tax will be higher/lower by S$5,824 (2013: S$6,798) as a result of higher/lower interest expense on these bank borrowings, if the interest rates increase/decrease by 5% (2013: 5%) with all other variables including tax rates being held constant.

The tables below set out the Group's and the Company's exposures to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing or maturity dates.

	Fixed rates		Variable rates		Non-	
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years	interest bearing	Total
	S$	S$	S$	S$	S$	S$
Group						
2014						
Financial assets						
Other financial assets	–	–	–	–	4,798,518	4,798,518
Trade and other receivables	–	–	–	–	8,288,680	8,288,680
Related parties balances	–	–	–	–	219,968	219,968
Cash and bank deposits	–	–	–	–	4,681,534	4,681,534
Fixed deposits	15,452,791	–	–	–	–	15,452,791
Total financial assets	15,452,791	–	–	–	17,988,700	33,441,491
Financial liabilities						
Trade and other payables	–	–	–	–	(8,649,526)	(8,649,526)
Bank overdrafts	–	–	(809,469)	–	–	(809,469)
Related parties balances	–	–	–	–	(426,871)	(426,871)
Borrowings	–	–	(48,374)	(68,096)	–	(116,470)
Finance lease obligations	(9,954)	(31,793)	–	–	–	(41,747)
Total financial liabilities	(9,954)	(31,793)	(857,843)	(68,096)	(9,076,397)	(10,044,083)

40 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Interest rate risks (cont'd)

	Fixed rates		Variable rates		Non-interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years		
	S$	S$	S$	S$	S$	S$
Group						
2013						
Financial assets						
Other financial assets	–	–	–	–	51,120,682	51,120,682
Trade and other receivables	653,400	–	–	–	8,441,145	9,094,545
Related parties balances	–	–	–	–	2,025,903	2,025,903
Cash and bank deposits	122,110	–	–	–	6,269,052	6,391,162
Fixed deposits	16,097,506	–	–	–	–	16,097,506
Total financial assets	16,873,016	–	–	–	67,856,782	84,729,798
Financial liabilities						
Trade and other payables	–	–	–	–	(8,972,748)	(8,972,748)
Bank overdrafts	–	–	(699,676)	–	–	(699,676)
Related parties balances	–	–	–	–	(2,878,802)	(2,878,802)
Borrowings	–	–	(32,455)	(103,495)	–	(135,950)
Finance lease obligations	(12,267)	–	–	–	–	(12,267)
Total financial liabilities	(12,267)	–	(732,131)	(103,495)	(11,851,550)	(12,699,443)

	Fixed rates		Variable rates	Non-interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year		
	S$	S$	S$	S$	S$
Company					
2014					
Financial assets					
Other financial assets	–	–	–	26,036	26,036
Trade and other receivables	–	–	–	594,650	594,650
Related parties balances	–	–	–	4,432,086	4,432,086
Cash and bank deposits	–	–	–	25,177	25,177
Total financial assets	–	–	–	5,077,949	5,077,949
Financial liabilities					
Trade and other payables	–	–	–	(2,356,336)	(2,356,336)
Related parties balances	(2,468,282)	–	–	–	(2,468,282)
Total financial liabilities	(2,468,282)	–	–	(2,356,336)	(4,824,618)

40 Financial Instruments (cont'd)

(a) Market risk (cont'd)

Interest rate risks (cont'd)

	Fixed rates Less than 1 year	Fixed rates 1 to 5 years	Variable rates Less than 1 year	Non-interest bearing	Total
	S$	S$	S$	S$	S$
Company					
2013					
Financial assets					
Other financial assets	–	–	–	32,464,400	32,464,400
Trade and other receivables	–	–	–	820,457	820,457
Related parties balances	–	–	–	1,496,594	1,496,594
Cash and bank deposits	–	–	–	320,306	320,306
Total financial assets	–	–	–	35,101,757	35,101,757
Financial liabilities					
Trade and other payables	–	–	–	(2,979,793)	(2,979,793)
Related parties balances	(2,892,500)	–	–	(1,677,360)	(4,569,860)
Finance lease obligations	(12,267)	–	–	–	(12,267)
Total financial liabilities	(2,904,767)	–	–	(4,657,153)	(7,561,920)

(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 balance sheet.

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.

40 Financial Instruments (cont'd)

(b) Credit risk (cont'd)

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 balance sheet date:

	Group	
	2014	**2013**
	S$	**S$**
Not past due and not impaired	4,336,339	4,236,958
Past due but not impaired# (1)	2,329,887	2,752,173
	6,666,226	6,989,131
Impaired trade receivables		
- individually assessed(2),(3)	12,895	43,660
Less: Allowance for impairment(4)	(12,895)	(43,660)
	–	–
Trade receivables, net (Note 21)	6,666,226	6,989,131

\# Aging of trade receivables that are past due but not impaired are as follows:

	Group	
	2014	**2013**
	S$	**S$**
Not more than 3 months	1,932,719	2,481,388
3 to 6 months	394,656	267,316
Over 6 months	2,512	3,469
	2,329,887	2,752,173

Those past due but not impaired pertain to regular customers of the Group.

(1) Aging of trade receivables that are past due but not impaired.

(2) These amounts are stated before any allowances for impairment.

(3) These receivables are not secured by any collateral or credit enhancement.

(4) Movements in the allowance for impairment during the financial year are set out in Note 21.

40 Financial Instruments (cont'd)

(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	**Contractual cash flows**	**Within one year**	**Within two to five years**
	S$	**S$**	**S$**	**S$**
Group				
2014				
Trade and other payables	8,649,526	8,649,526	8,649,526	–
Bank overdrafts	809,469	809,469	809,469	–
Related parties balances	426,871	426,871	426,871	–
Borrowings	116,470	146,011	65,293	80,718
Finance lease obligations	41,747	47,872	11,315	36,557
	10,044,083	10,079,749	9,962,474	117,275
2013				
Trade and other payables	8,972,748	8,972,748	8,972,748	–
Bank overdrafts	699,676	699,676	699,676	–
Related parties balances	2,878,802	2,878,802	2,878,802	–
Borrowings	135,950	172,251	52,642	119,609
Finance lease obligations	12,267	12,493	12,493	–
	12,699,443	12,735,970	12,616,361	119,609
Company				
2014				
Trade and other payables	2,356,336	2,356,336	2,356,336	–
Related parties balances	2,468,282	2,468,282	2,468,282	–
	4,824,618	4,824,618	4,824,618	–
2013				
Trade and other payables	2,979,793	2,979,793	2,979,793	–
Related parties balances	4,569,860	4,569,860	4,569,860	–
Finance lease obligations	12,267	12,493	12,493	–
	7,561,920	7,562,146	7,562,146	–

40 Financial Instruments (cont'd)

(c) Liquidity risk (cont'd)

The table below shows the contractual expiry by the maturity profile of the Company's corporate guarantees. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Within one year S$	After one to five years S$	Total S$
Company			
2014			
Financial guarantee contracts	5,372,570	–	5,372,570
2013			
Financial guarantee contracts	5,420,360	–	5,420,360

(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 shareholder 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	
	2014 S$	2013 S$	2014 S$	2013 S$
Net debt	5,362,549	6,308,281	4,799,441	7,241,614
Total equity	33,308,520	81,196,635	14,782,186	42,202,718
Net debt to equity	16.10%	7.77%	32.47%	17.16%

The Group is not subject to any external capital requirements.

40 Financial Instruments (cont'd)

(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.

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)

The fair values of financial assets and financial liabilities with a maturity of less than one year, which are primarily fixed deposits, cash and bank deposits, trade and other receivables (excluding prepayments and other tax recoverable), trade and other payables, bank overdrafts and amounts due from/(to) related parties approximate their carrying amounts due to the relatively short-term maturity of these financial instruments.

Management estimates that the fair values of long term borrowings is not materially different to their carrying amounts as the borrowings mostly bear interest at variable rates.

Management also estimates that the fair value of finance lease obligations is not materially different to the present value of payments as shown in Note 28.

Fair value of the Group's financial assets and liabilities that are measured at fair value on a recurring basis

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).

The following table presents the financial assets and financial liabilities measurement at fair value at the balance sheet date by level of the fair value measurement hierarchy:

	Level 1 S$	Level 2 S$	Level 3 S$	Total S$
Group				
2014				
Available-for-sale financial assets:				
- Quoted equity investments	4,791,110	–	–	4,791,110
Financial assets held for trading:				
- Quoted warrants	7,408	–	–	7,408
	4,798,518	–	–	4,798,518

40 Financial Instruments (cont'd)

(e) Fair value of financial instruments (cont'd)

	Level 1 S$	Level 2 S$	Level 3 S$	Total S$
Group				
2013				
Available-for-sale financial assets:				
- Quoted equity investments	50,373,237	–	–	50,373,237
Financial assets held for trading:				
- Quoted warrants	207,445	–	–	207,445
- Quoted equity investments	540,000	–	–	540,000
	51,120,682	–	–	51,120,682

The fair values of quoted equity investments traded in active markets are based on quoted market prices at the balance sheet date. The quoted market prices used for the quoted equity shares and warrants held by the Group are the closing prices as at the balance sheet date. These financial assets are included in Level 1.

There was no transfer between Level 1 and 2 during the current and previous financial years.

At the date of authorisation of these financial statements, based on the prevailing quoted market prices, the Group's quoted equity shares and warrants classified under financial assets, available-for-sale as at the balance sheet date, are exposed to net fair value losses arising from changes in fair value amounting to approximately S$1 million.

41 Comparative Figures

Certain comparative figures in the consolidated cash flows statement of the Group for the previous year has been reclassified so as to better reflect the nature of the relevant cash flows and to conform with current year's presentation as follows:

	Previously stated 2013 S$	Reclassified 2013 S$	Restated 2013 S$
Consolidated cash flows statement:			
Net cash flows generated from investing activities	4,788,103	1,152,890	5,940,993
Net cash flows used in financial activities	(1,591,618)	(1,152,890)	(2,744,508)

42 Subsequent Events

(a) Issue of new ordinary shares in the capital of the Company to Phillip Securities Pte Ltd ("Phillip Securities") pursuant to the repayment of debts outstanding

On 25 July 2014, 5 August 2014 and 26 August 2014, the Company alloted and issued 9,259,000, 27,950,000 and 22,222,000 new ordinary shares at an issue price of S$0.0162, S$0.0161 and S$0.0135 per share respectively to Phillip Securities in repayment of Phillip Securities's various demand for partial repayment of the debt amounting to S$900,000 (see Note 25).

At the date of authorisation of these financial statements, the remaining balance of Debt outstanding amounted to S$820,000.

(b) Issue of up to S$35,000,000 in aggregate principal amount of redeemable convertible note

Subsequent to the financial year end, the Company entered into a subscription agreement with Premier Equity Fund (the "Subscriber") and Value Capital Asset Management Private Limited ("VCAM") pursuant to which the Company proposes to issue up to 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 and a final tranche of a principal amount of S$15,000,000 (collectively, the convertible notes shall be referred to as the "Notes").

VCAM is a fund management company incorporated in Singapore and registered with the Monetary Authority of Singapore. VCAM has been appointed and acts as the investment manager for the Subscriber, a company incorporated in the Cayman Islands.

The issue of the Notes are subject to the approval of the shareholders of the Company at an extraordinary general meeting to be convened.

43 Authorisation of Financial Statements

The financial statements for the financial year ended 30 June 2014 were authorised for issue in accordance with a resolution of the directors on date of the Statement by Directors.

SHAREHOLDERS' INFORMATION

As at 24 September 2014

STATISTICS OF SHAREHOLDINGS

Number of Shares	:	2,108,109,060
Issued and fully paid-up capital	:	S$ 121,026,804
Class of shares	:	Ordinary shares
Voting rights	:	■ On show of hands : One vote for each member
		■ On a poll : One vote for each ordinary share
Treasury Shares	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 24 SEPTEMBER 2014

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	14	0.15	4,079	0.00
1,000 - 10,000	1,996	21.47	12,386,865	0.59
10,001 - 1,000,000	7,088	76.23	917,344,777	43.51
1,000,001 AND ABOVE	200	2.15	1,178,373,339	55.90
TOTAL	9,298	100.00	2,108,109,060	100.00

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest	
	No. of Shares	%
Md Wira Dani Bin Abdul Daim	258,464,000	12.26

TWENTY LARGEST SHAREHOLDERS
AS AT 24 SEPTEMBER 2014

No.	Name of Shareholders	Number of Shares	%
1	MD WIRA DANI BIN ABDUL DAIM	258,464,000	12.26
2	RAFFLES NOMINEES (PTE) LTD	58,855,000	2.79
3	CHNG GIM HUAT	48,000,000	2.28
4	OCBC SECURITIES PRIVATE LTD	46,824,048	2.22
5	DBS NOMINEES PTE LTD	39,403,000	1.87
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	33,203,400	1.58
7	MAYBANK KIM ENG SECURITIES PTE LTD	33,187,000	1.57
8	UOB KAY HIAN PTE LTD	30,558,000	1.45
9	OCBC NOMINEES SINGAPORE PTE LTD	23,829,310	1.13
10	BANK OF EAST ASIA NOMINEES PTE LTD	21,098,000	1.00
11	ROSLEY BIN ABDUL RAHMAN	20,000,000	0.95
12	PHILLIP SECURITIES PTE LTD	19,796,950	0.94
13	CIMB SECURITIES (SINGAPORE) PTE LTD	18,762,999	0.89
14	NEO BENG KENG (LIANG MINGQING)	16,117,000	0.76
15	LOW KENG BOON @ LAU BOON SEN	13,180,000	0.63
16	POH SOON KENG	13,000,000	0.62
17	BANK OF SINGAPORE NOMINEES PTE LTD	12,950,000	0.61
18	LING KIM CHYE	10,853,000	0.51
19	MORGAN STANLEY ASIA (SINGAPORE) SECURITIES PTE LTD	10,315,000	0.49
20	LEE TONG LIANG	10,000,000	0.47
	TOTAL	**738,396,707**	**35.02**

SHAREHOLDINGS HELD IN HANDS OF PUBLIC

To the best knowledge of the Company and the Directors and based on the Company's Register of Substantial Shareholders as at 24 September 2014, approximately 87.73% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAGNUS ENERGY GROUP LTD. (the "**Company**") will be held at Level 2, Antica II, 1 Tanglin Road, Orchard Parade Hotel, Singapore 247905 on Wednesday, 29 October 2014 at 11:00 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 2014 together with the Directors' Report and Auditors' Report thereon. **(Resolution 1)**

2. To re-appoint Mr Goh Boon Kok as a Director of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore, to hold such office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 2)**

   Mr Goh Boon Kok shall, upon re-appointment as Director of the Company, remain as Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees. Mr Goh will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

3. To re-elect the following Directors of the Company retiring pursuant to Articles 96(2) and 78 of the Articles of Association of the Company.

   Mr Kushairi Bin Zaidel [Retiring under Article 96(2)] **(Resolution 3)**

   Ms Seet Chor Hoon [Retiring under Article 78] **(Resolution 4)**

   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 Kushairi will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

   Ms Seet Chor Hoon shall, upon re-election as Director of the Company, remain as Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Ms Seet will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

4. To approve the payment of Directors' fees of S$73,500 for the financial year ended 30 June 2014 (2013: S$73,500). **(Resolution 5)**

5. To approve the payment of Directors' fees of S$85,950 for the financial year ending 30 June 2015, to be paid quarterly in arrears (2014: S$73,500). **(Resolution 6)**

6. 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 7)**

7. 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:

8. **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 Listing Manual Section B: Rules of Catalist (the "**Rules of Catalist**") of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), the Directors of the Company be authorised and empowered to issue:

   (a) shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; or

   (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 capitalization 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 Rules of Catalist 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 Articles of Association 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 (i)] **(Resolution 8)**

9. **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 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 (ii)] **(Resolution 9)**

10. **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 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 shall not exceed five per centum (5%) of the total number of issued shares (excluding treasury shares) 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 10)**

By Order of the Board

Luke Ho Khee Yong
Company Secretary
Singapore, 13 October 2014

Explanatory Notes to Special Business:

(i) The Ordinary Resolution 8 proposed in item 8 above, if passed, will authorised 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) 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.

(ii) The Ordinary Resolution 9 proposed in item 9 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.

(iii) The Ordinary Resolution 10 proposed in item 10 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 entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint no more than two proxies to attend and vote in his/her stead. Where a Member appoints more than one 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) If the appointer is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

(c) The instrument appointing a proxy must be deposited at the Registered Office of the Company at 400 Orchard Road #19-06 Orchard Towers Singapore 238875 not less than forty-eight (48) hours before the time appointed for holding 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@stamfordlaw.com.sg

MAGNUS ENERGY GROUP LTD.

Company Registration No. 198301375M
(Incorporated In the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy Magnus Energy Group Ltd.'s shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, ______________________________ NRIC/Passport No. ______________

of ____ (Address)

being a *member/members of MAGNUS ENERGY GROUP LTD. (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

*and/or (delete as appropriate)

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our proxy/ proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Level 2, Antica II, 1 Tanglin Road, Orchard Parade Hotel, Singapore 247905 on Wednesday, 29 October 2014 at 11:00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	**Resolutions relating to:**	**For**	**Against**
As Ordinary Business			
1.	Adoption of Audited Financial Statements, Directors' Report and Auditors' Report of the Company for the financial year ended 30 June 2014		
2.	Re-appointment of Mr Goh Boon Kok as Director		
3.	Re-election of Mr Kushairi Bin Zaidel as Director		
4.	Re-election of Ms Seet Chor Hoon as Director		
5.	Approval of Directors' Fees of S$73,500 for the year ended 30 June 2014		
6.	Approve of Directors' fees of S$85,950 for the year ending 30 June 2015, to be paid quarterly in arrears		
7.	Re-appointment of Moore Stephens LLP as Auditors		
As Special Business			
8.	Authority to allot and issue shares		
9.	Authority to issue shares under the Magnus Energy Employee Share Option Plan		
10.	Authority to issue shares under the Magnus Energy Performance Share Plan		

Dated this ________ day of ______________ 2014

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature(s) of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

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 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. 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.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 400 Orchard Road #19-06 Orchard Towers Singapore 238875 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. 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.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

MAGNUS ENERGY GROUP LTD.
400 Orchard Road
#19-06 Orchard Towers
Singapore 238875