

CIRCULAR DATED 14 OCTOBER 2017

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**This Circular is issued by Magnus Energy Group Ltd. (the “Company”). If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.**

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited (“CDP”), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should immediately forward this Circular and the attached Proxy Form to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected, for onward transmission to the purchaser or transferee.

**This Circular has been prepared by the Company and its contents have been reviewed by the Company’s continuing sponsor, Stamford Corporate Services Pte. Ltd. (the “Sponsor”), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this Circular. This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Circular including the accuracy, completeness or correctness of any of the statements made, opinions expressed or reports contained in this Circular. The contact person for the Sponsor is Mr. Bernard Lui, Tel: (65) 6389 3000, Email: [bernard.lui@morganlewis.com](mailto:bernard.lui@morganlewis.com).**



## **MAGNUS ENERGY GROUP LTD.**

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 198301375M)

### **CIRCULAR TO SHAREHOLDERS**

**in relation to**

- (I) THE PROPOSED ALLOTMENT AND ISSUANCE OF UP TO 3,000,000,000 NEW SHARES (THE “CONVERSION SHARES”) IN THE CAPITAL OF MAGNUS ENERGY GROUP LTD. (THE “COMPANY”) TO ALGAE FARM ENGINEERING SDN. BHD. (“AFE”) PURSUANT TO THE OUTSTANDING AMOUNT CONVERSION AGREEMENT DATED 27 SEPTEMBER 2017 (THE “OUTSTANDING AMOUNT CONVERSION”); AND**
- (II) THE POSSIBLE TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO AFE ARISING FROM THE OUTSTANDING AMOUNT CONVERSION (THE “POSSIBLE TRANSFER OF CONTROLLING INTEREST”).**

#### **Important Dates and Times**

Last date and time for lodgement of Proxy Form	:	27 October 2017 at 11:00 a.m.
Date and time of Extraordinary General Meeting	:	30 October 2017 at 11:00 a.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place)
Place of Extraordinary General Meeting	:	Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516

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## TABLE OF CONTENTS

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<b>DEFINITIONS</b> .....	2
<b>LETTER TO SHAREHOLDERS</b> .....	8
1. INTRODUCTION .....	8
2. LISTING AND QUOTATION NOTICE FROM THE SGX-ST .....	9
3. THE OUTSTANDING AMOUNT CONVERSION .....	10
4. RATIONALE FOR THE OUTSTANDING AMOUNT CONVERSION .....	14
5. SET-OFF AND SETTLEMENT ARRANGEMENT .....	14
6. CONFIRMATION BY THE DIRECTORS .....	15
7. POSSIBLE TRANSFER OF CONTROLLING INTEREST .....	15
8. INFORMATION ON AFE AND MR. KIM .....	16
9. FINANCIAL EFFECTS OF THE OUTSTANDING AMOUNT CONVERSION .....	18
10. RISK FACTORS .....	19
11. ADJUSTMENTS TO OUTSTANDING CONVERTIBLES .....	22
12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS .....	23
13. EXTRAORDINARY GENERAL MEETING .....	23
14. ACTIONS TO BE TAKEN BY SHAREHOLDERS .....	23
15. DIRECTORS' RECOMMENDATIONS .....	24
16. DIRECTORS' RESPONSIBILITY STATEMENT .....	24
17. DOCUMENTS AVAILABLE FOR INSPECTION .....	25
<b>NOTICE OF EXTRAORDINARY GENERAL MEETING</b> .....	N-1
<b>PROXY FORM</b>	

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions apply throughout this Circular:

- “17 July Announcement”** : The announcement released by the Company dated 17 July 2017, as further described in Section 1.1 of this Circular
- “22 June Announcement”** : The announcement released by the Company dated 22 June 2016, as further described in Section 1.1 of this Circular
- “27 September Announcement”** : The announcement released by the Company dated 27 September 2017, as further described in Section 1.1 of this Circular
- “Aggregate Outstanding Amount”** : Approximately US\$4,460,000 (equivalent to approximately S\$6,066,000 based on the exchange rate of US\$1: S\$1.36) of the Contract Price payable by MEG to AFE that remains outstanding under the EPC Contract
- “AFE”** : Algae Farm Engineering Sdn. Bhd.
- “Board”** : The board of directors of the Company as at the Latest Practicable Date
- “Business Day”** : A day (other than a Saturday, a Sunday or a gazetted public holiday in Singapore) on which commercial banks are open for business in Singapore
- “Catalist”** : The sponsor-supervised listing platform of the SGX-ST
- “Catalist Rules”** : The SGX-ST Listing Manual Section B: Rules of Catalist, as may be amended, supplemented or modified from time to time
- “CDP”** : The Central Depository (Pte) Limited
- “Circular”** : This circular to Shareholders dated 14 October 2017 issued by the Company
- “Companies Act”** : The Companies Act, Chapter 50 of Singapore, as amended, supplemented or modified from time to time
- “Completion”** : Completion of the Outstanding Amount Conversion in accordance with the terms of the Outstanding Amount Conversion Agreement
- “Completion Date”** : The date of Completion
- “Conditions”** : The conditions upon which Completion is conditional, as further described in Section 3.5.1 of this Circular

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## DEFINITIONS

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<b>“Constitution”</b>	:	The constitution of the Company, as amended, supplemented or modified from time to time
<b>“Contract Price”</b>	:	The sum of US\$12,750,000 payable by MEG to AFE for the Project, subject to the terms and conditions set out in the EPC Contract
<b>“Controlling Shareholder”</b>	:	As defined in the Catalist Rules,  (a) a person who holds directly or indirectly 15.0% or more of the nominal amount of all the voting shares in the Company (unless otherwise determined by the SGX-ST); or  (b) a person who in fact exercises control over the Company
<b>“Conversion Price”</b>	:	S\$0.001 per Conversion Share
<b>“Conversion Shares”</b>	:	Up to 3,000,000,000 new Shares to be issued and allotted to AFE, in full or in part, at the Conversion Price for the conversion of the Relevant Outstanding Amount, or any proportion thereof, in accordance with the terms of the Outstanding Amount Conversion Agreement and <b>“Conversion Share”</b> shall be construed accordingly
<b>“Directors”</b>	:	The directors of the Company as at the Latest Practicable Date
<b>“EGM”</b>	:	The extraordinary general meeting of the Company to be held on 30 October 2017 at 11:00 a.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) at Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516, the notice of which is set out on pages N-1 to N-3 of this Circular
<b>“Encumbrance”</b>	:	Any mortgage, charge, lien, pledge, option, right to acquire, assignment by way of security, trust arrangement for the purpose of providing security or any other security interest of any kind, including a retention of title arrangement
<b>“Enlarged Share Capital”</b>	:	Based on the Existing Share Capital, the enlarged share capital of the Company (excluding treasury shares) assuming the issuance and allotment of all of the 3,000,000,000 Conversion Shares will be approximately S\$148,261,088 comprising 11,661,175,454 Shares
<b>“EPC Contract”</b>	:	The engineering, procurement and construction contract dated 22 June 2016 entered into between MEG and AFE for the Project

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## DEFINITIONS

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<b>“Existing Share Capital”</b>	:	The issued and paid-up share capital of the Company (excluding treasury shares) as at the Latest Practicable Date of approximately S\$145,261,088 comprising 8,661,175,454 Shares
<b>“FY”</b>	:	Financial year of the Company ended or ending (as the case may be) 30 June of a particular year as stated
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“KIPO”</b>	:	The Korean Intellectual Property Office
<b>“Latest Practicable Date”</b>	:	27 September 2017, being the latest practicable date prior to the printing of this Circular
<b>“LPS”</b>	:	Loss per Share
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading of securities
<b>“Maximum Conversion Shares”</b>	:	The issuance and allotment of all of the 3,000,000,000 Conversion Shares for the full and final satisfaction of the Relevant Outstanding Amount
<b>“MEG”</b>	:	MEG Management Sdn. Bhd., a wholly-owned subsidiary of the Company
<b>“Mr. Kim”</b>	:	Mr. Kim Jaehoon, the director and the 40.0% shareholder of AFE
<b>“Nominating Committee”</b>	:	The nominating committee of the Company as at the Latest Practicable Date
<b>“Notes”</b>	:	S\$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 issued by the Company to the Subscriber
<b>“Notes Conversion Shares”</b>	:	Shares to be issued and allotted to the Subscriber upon conversion of the Notes under the Notes Issue. Please refer to Section 11 of this Circular for further details
<b>“Notes Issue”</b>	:	The issuance of the Notes from the Company to the Subscriber subject to the terms and conditions of the Subscription Agreement. Please refer to Section 11 of this Circular for further details
<b>“Notice of EGM”</b>	:	The notice of the EGM dated 14 October 2017 as set out on pages N-1 to N-3 of this Circular
<b>“NTA”</b>	:	Net tangible assets of the Group attributable to Shareholders

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## DEFINITIONS

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<b>“O&amp;M Agreement”</b>	:	The operation and maintenance agreement dated 22 June 2016 entered into between MEG and AFE for the operation and maintenance of the 15 metric ton/day microalgae oil cultivation facility in Selangor, Malaysia, subject to the terms and conditions contained therein
<b>“Ordinary Resolution(s)”</b>	:	The ordinary resolution(s) set out in the Notice of EGM
<b>“Outstanding Amount Conversion”</b>	:	The proposed issuance and allotment of one (1) tranche of up to 3,000,000,000 Conversion Shares at the Conversion Price in satisfaction of the Relevant Outstanding Amount pursuant to the terms and conditions of the Outstanding Amount Conversion Agreement
<b>“Outstanding Amount Conversion Agreement”</b>	:	The outstanding amount conversion agreement dated 27 September 2017 entered into between the Company, MEG and AFE, pursuant to which the Company has agreed to issue and allot, and AFE has agreed to subscribe for, the Conversion Shares in satisfaction of the Relevant Outstanding Amount, subject to the terms and conditions contained therein
<b>“PLA”</b>	:	The patent license agreement dated 22 June 2016 entered into between MEG and Mr. Kim, pursuant to which Mr. Kim granted AFE a license for the use of certain patents owned by Mr. Kim, subject to the terms and conditions contained therein
<b>“Possible Transfer of Controlling Interest”</b>	:	The transfer of a controlling interest in the Company to AFE under the circumstances described in this Circular as a result of the Outstanding Amount Conversion
<b>“Previous Announcements”</b>	:	The 17 July Announcement, 22 June Announcement and 27 September Announcement collectively
<b>“Project”</b>	:	The designing, engineering, procurement, construction, commissioning, testing and delivery of the 15 metric ton/day microalgae oil cultivation facility in Selangor, Malaysia pursuant to the terms and conditions of the EPC Contract
<b>“Proposed Transactions”</b>	:	The Outstanding Amount Conversion and the Possible Transfer of Controlling Interest collectively
<b>“Record Date”</b>	:	The date fixed by the Company for the purposes of determining entitlements to dividends or other distributions to or rights of holders of Shares
<b>“Register”</b>	:	The register of Shareholders of the Company
<b>“Relevant Outstanding Amount”</b>	:	Up to S\$3,000,000 of the Aggregate Outstanding Amount

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## DEFINITIONS

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<b>“Securities and Futures Act”</b>	:	Securities and Futures Act (Chapter 289) of Singapore, as amended or modified from time to time
<b>“SGX-ST”</b>	:	Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	Registered holders of the Shares, including Depositors whose Shares are deposited with CDP or who have purchased Shares on the SGX-ST, and “Shareholder” shall be construed accordingly
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company
<b>“Sponsor”</b>	:	Stamford Corporate Services Pte. Ltd.
<b>“Subscriber”</b>	:	Premier Equity Fund
<b>“Subscription Agreement”</b>	:	The subscription agreement dated 3 September 2014 entered into between the Company, the Subscriber and Value Capital Asset Management Private Limited, pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for the Notes. Please refer to Section 11 of this Circular for further details
<b>“VWAP”</b>	:	Volume weighted average price
<b>“Weschem”</b>	:	Weschem Technologies Sdn Bhd

### Currencies and Units of Measurement

<b>“RM”</b>	:	Ringgit Malaysia, being the lawful currency of Malaysia
<b>“S\$” and “cents”</b>	:	Singapore dollars and cents, respectively, being the lawful currency of Singapore
<b>“US\$”</b>	:	United States dollars, being the lawful currency of the United States of America
<b>“per cent.” or “%”</b>	:	Per centum or percentage

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the respective meanings ascribed to them in Section 81SF of the Securities and Futures Act.

The term **“subsidiary”** shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.



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## DEFINITIONS

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Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined in the Companies Act, the Catalist Rules or the Securities and Futures Act or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the Catalist Rules or the Securities and Futures Act, or any modification thereof, as the case may be, unless the context otherwise requires.

The headings in this Circular are inserted for convenience only and shall be ignored in construing this Circular.

Any discrepancies in figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be arithmetic aggregations of the figures that precede them.

Any reference to a time of the day and date in this Circular shall be a reference to Singapore time and date, respectively, unless otherwise stated.

### **Cautionary Note on Forward-Looking Statements**

All statements other than statements of historical facts included in this Circular are or may be forward-looking statements. Forward-looking statements include but are not limited to those using words such as “expect”, “anticipate”, “believe”, “estimate”, “intend”, “project”, “plan”, “strategy”, “forecast” and similar expressions or future or conditional verbs such as “if”, “will”, “would”, “should”, “could”, “may” and “might”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company does not undertake any obligation to update publicly or revise any forward-looking statements, subject to compliance with all applicable laws and regulations and/or the Catalist Rules and/or any other regulatory or supervisory body or agency.

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## LETTER TO SHAREHOLDERS

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### MAGNUS ENERGY GROUP LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 198301375M)

**Directors:**

Kushairi Bin Zaidel (Chairman and Independent Director)  
Seet Chor Hoon (Independent Director)  
Ong Chin Chuan (Independent Director)  
Ong Sing Huat (Non-Executive Non-Independent Director)

**Registered Office:**

76 Playfair Road  
#02-02 LHK 2 Building  
Singapore 367996

14 October 2017

To: The Shareholders of Magnus Energy Group Ltd.

Dear Sir/Madam

- (I) **THE PROPOSED ALLOTMENT AND ISSUANCE OF UP TO 3,000,000,000 NEW SHARES (THE “CONVERSION SHARES”) IN THE CAPITAL OF MAGNUS ENERGY GROUP LTD. (THE “COMPANY”) TO ALGAE FARM ENGINEERING SDN. BHD. (“AFE”) PURSUANT TO THE OUTSTANDING AMOUNT CONVERSION AGREEMENT DATED 27 SEPTEMBER 2017 (THE “OUTSTANDING AMOUNT CONVERSION”); AND**
- (II) **THE POSSIBLE TRANSFER OF CONTROLLING INTEREST IN THE COMPANY TO AFE ARISING FROM THE OUTSTANDING AMOUNT CONVERSION (THE “POSSIBLE TRANSFER OF CONTROLLING INTEREST”).**

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## 1. INTRODUCTION

### 1.1 Overview

The Board refers to the following previous announcements (the “**Previous Announcements**”):

- (a) the announcement dated 22 June 2016, where the Company had announced, *inter alia*, the entry by MEG into the EPC Contract, the O&M Agreement and the PLA (the “**22 June Announcement**”);
- (b) the announcement dated 17 July 2017, where the Company had responded to certain queries raised by the SGX-ST in relation to, *inter alia*, the Project and Mr. Kim, the director and the 40.0% shareholder of AFE (the “**17 July Announcement**”); and
- (c) the announcement dated 27 September 2017, where the Company had announced, *inter alia*, the entry into the Outstanding Amount Conversion Agreement, pursuant to which the Company agreed to issue and allot, and AFE agreed to subscribe for, one (1) tranche of an aggregate of up to 3,000,000,000 Conversion Shares at the Conversion Price of S\$0.001 per Conversion Share in satisfaction of the Relevant Outstanding Amount or any proportion thereof (the “**27 September Announcement**”).

Copies of the Previous Announcements are available on the website of the SGX-ST at <http://www.sgx.com>.

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## LETTER TO SHAREHOLDERS

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### 1.2 Purpose of this Circular

The Directors are convening an EGM to be held on 30 October 2017 at 11:00 a.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) at Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 to seek Shareholders' approval for the Outstanding Amount Conversion and the Possible Transfer of Controlling Interest (collectively, the "**Proposed Transactions**").

The purpose of this Circular is to provide Shareholders with information relating to the Proposed Transactions, and to seek Shareholders' approval in relation thereto at the EGM. The Notice of EGM is set out on pages N-1 to N-3 of this Circular.

**The Sponsor has not independently verified the contents of this Circular. This Circular has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Circular including the accuracy, completeness or correctness of any of the statements made, opinions expressed or reports contained in this Circular.**

### 1.3 Conditionality of the Ordinary Resolutions

In respect of the Ordinary Resolutions set out in the Notice of EGM, Shareholders should note that the Ordinary Resolution relating to the Possible Transfer of Controlling Interest (Ordinary Resolution 2) is conditional upon the passing of the Ordinary Resolution relating to the Outstanding Amount Conversion (Ordinary Resolution 1). This means that if Ordinary Resolution 1 is not passed, Ordinary Resolution 2 as set out in the Notice of EGM will not be passed. In the event that Ordinary Resolution 1 is passed and Ordinary Resolution 2 is not passed, the Company will issue and allot such number of Conversion Shares to AFE under the Outstanding Amount Conversion that will not result in a transfer of controlling interest in the Company.

## 2. LISTING AND QUOTATION NOTICE FROM THE SGX-ST

In connection with the Outstanding Amount Conversion, an application to the SGX-ST has been made through the Sponsor for the approval for the listing and quotation of up to 3,000,000,000 Conversion Shares. The Company will make the necessary announcement upon receipt of the listing and quotation notice from the SGX-ST for the listing and quotation of up to 3,000,000,000 Conversion Shares.

The listing and quotation notice, if issued by the SGX-ST, is not to be taken as an indication of the merits of any of the Proposed Transactions, the Conversion Shares, the Company or the Group and their securities.

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## LETTER TO SHAREHOLDERS

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### 3. THE OUTSTANDING AMOUNT CONVERSION

#### 3.1 Background

In the 22 June Announcement, the Company had announced, *inter alia*, that MEG had entered into the following agreements:

- (a) the EPC Contract with AFE for the Project at the Contract Price of US\$12,750,000, subject to the terms and conditions set out in the EPC Contract;
- (b) the O&M Agreement with AFE for the operation and maintenance of the 15 metric ton/day microalgae oil cultivation facility in Selangor, Malaysia, subject to the terms and conditions set out in the O&M Agreement; and
- (c) the PLA with Mr. Kim for the license of certain patents owned by Mr. Kim, subject to the terms and conditions set out in the PLA.

Pursuant to the EPC Contract, AFE agreed to design, engineer, procure, construct, commission, test and deliver to MEG, the 15 metric ton/day microalgae oil cultivation facility in Selangor, Malaysia (the “**Plant**”). The Plant is in the process of construction pursuant to the terms and conditions of the EPC Contract. Please refer to the 22 June Announcement for further details on the EPC Contract. The Company is in the midst of installing the harvesting machine for harvesting of microalgae oil and the installation is expected to complete by October 2017, subject to weather conditions. After the installation of the harvesting machine is completed, the Company is required to set up microalgae tanks and fill in the microalgae cultures, which will take a further three (3) weeks approximately from the completion of the abovementioned installation. As described in the 17 July Announcement, the harvesting machine is fully automated, fitted with sensors and control units to perform harvesting of 24 tanks of microalgae at approximately every one and a half minutes. The Plant is able to accommodate a maximum of 2,400 tanks of microalgae. The Company expects production of microalgae crude oil to commence in November 2017.

As at the Latest Practicable Date, an amount of approximately US\$4,460,000 (the “**Aggregate Outstanding Amount**”) (equivalent to approximately S\$6,066,000 based on the exchange rate of US\$1: S\$1.36) of the Contract Price payable by MEG to AFE remains outstanding under the EPC Contract. In the 27 September Announcement, the Company announced, *inter alia*, that it had entered into the Outstanding Amount Conversion Agreement with MEG and AFE pursuant to which the Company intends to satisfy up to S\$3,000,000 of the Aggregate Outstanding Amount (the “**Relevant Outstanding Amount**”) in Conversion Shares pursuant to the terms and conditions of the Outstanding Amount Conversion Agreement. It is the Company’s intention that the remainder of the Aggregate Outstanding Amount shall be funded using internal cash resources of the Group and the net proceeds from the Notes Issue.

For the avoidance of doubt, as at the Latest Practicable Date, the Aggregate Outstanding Amount is not due and payable by MEG to AFE. Due to delay in the Project, MEG and AFE have agreed that the Aggregate Outstanding Amount payable by MEG to AFE will only be due and payable when the Plant has met no less than 90% of the target capacity. Target capacity is agreed between MEG and AFE to be the seven (7) days average production of no less than 15 metric tons per day of microalgae oil by the Plant for 1,500 tanks of microalgae. Currently, there are 500 tanks of microalgae at the site of the Plant. The

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## LETTER TO SHAREHOLDERS

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Company expects the remaining 1,000 tanks of microalgae to be delivered by the third quarter of FY2018. After the Aggregate Outstanding Amount becomes due and payable, the Company will then satisfy the Relevant Outstanding Amount in Conversion Shares pursuant to the terms and conditions of the Outstanding Amount Conversion Agreement.

The rationale for the Outstanding Amount Conversion is set out in Section 4 of this Circular and in the 27 September Announcement.

### 3.2 **Salient terms of the Outstanding Amount Conversion Agreement**

Under the terms of the Outstanding Amount Conversion Agreement, the Company has agreed to issue and allot, and AFE agreed to subscribe for, one (1) tranche of an aggregate of up to 3,000,000,000 Conversion Shares at the Conversion Price of S\$0.001 per Conversion Share in satisfaction of the Relevant Outstanding Amount or any proportion thereof, subject to the terms and conditions of the Outstanding Amount Conversion Agreement. The Company shall, in its sole and absolute discretion, determine the amount of the Relevant Outstanding Amount to be converted under the Outstanding Amount Conversion and consequently, the number of Conversion Shares to be issued and allotted by the Company to AFE in satisfaction of the Relevant Outstanding Amount.

The Conversion Shares will be issued in one (1) tranche by the Company delivering a conversion notice in writing to AFE at least three (3) Business Days before the proposed Completion Date. The said conversion notice shall specify the exact amount of the Relevant Outstanding Amount to be converted and the corresponding number of Conversion Shares to be issued in settlement thereof. The issuance and allotment of such Conversion Shares will constitute full and final settlement in respect of the Relevant Outstanding Amount to which such Conversion Shares relate and AFE will have no right or claim whatsoever against the Company or MEG in respect of such amount of the Relevant Outstanding Amount under the EPC Contract. In the event that the Conversion Shares are issued and allotted in part, the Relevant Outstanding Amount under the EPC Contract will be reduced in the respective proportion accordingly.

The Conversion Price and the number of Conversion Shares shall be adjusted proportionately in the event that the Company undertakes a stock split, reverse stock split, capitalisation issue, rights issue, capital reduction or distribution, such adjustment to be certified by auditors of the Company for the time being, acting as an independent expert.

Save as provided in the Outstanding Amount Conversion Agreement, all other terms and conditions of the EPC Contract shall remain to be valid, subsisting and enforceable between MEG and AFE.

### 3.3 **Conversion Price**

The Conversion Price of S\$0.001 is equivalent to the VWAP of S\$0.001 for each Share based on trades done on the SGX-ST on 27 September 2017, being the last full market day on which the Shares were traded prior to the signing of the Outstanding Amount Conversion Agreement. The Conversion Price was agreed between the parties on a willing-buyer and willing-seller basis taking into consideration the current Share price of the Company.

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## LETTER TO SHAREHOLDERS

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### 3.4 Conversion Shares

The Conversion Shares shall, when issued and allotted, be duly authorised, validly issued and credited as fully paid-up, be free from any and all Encumbrance, be fully transferable and shall rank *pari passu* in all respects with the existing Shares, save that they shall not rank for any dividends, rights, allotments, distributions or entitlements, the Record Date of which falls on or prior to the date of the issuance and allotment of the Conversion Shares.

Assuming that the Maximum Conversion Shares are issued and allotted for the full and final satisfaction of the Relevant Outstanding Amount, the Maximum Conversion Shares will represent approximately 34.64% of the Existing Share Capital as at the Latest Practicable Date and approximately 25.73% of the Enlarged Share Capital upon Completion.

### 3.5 Conditions

3.5.1. Completion is conditional upon the following conditions (the “**Conditions**”) being fulfilled (or waived) on or before the Completion Date:

(a) Regulatory Approvals

All necessary consents, approvals and waivers from all relevant government bodies, stock exchange and other regulatory authority for or in connection with the Outstanding Amount Conversion Agreement and all other transactions in connection therewith and incidental thereto, having been obtained by the parties, including without limitation:

- (i) the approval of the Sponsor and the listing and quotation notice from the SGX-ST in respect of the listing and quotation of the Conversion Shares on the Catalist having been obtained, and if such consents, approvals or waivers are granted or obtained subject to any conditions, such conditions being reasonably acceptable to the parties, and if any conditions are required to be satisfied by Completion, such conditions being so satisfied; and
- (ii) the issuance and allotment of the Conversion Shares not being prohibited by any statute, order, rule or regulation promulgated after the date of the Outstanding Amount Conversion Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the parties.

(b) Shareholders’ Approvals

The specific approval of the Shareholders at the EGM having been obtained for the following:

- (i) issuance and allotment of the Conversion Shares;
- (ii) the Possible Transfer of Controlling Interest in the Company to AFE under Rule 803 of the Catalist Rules pursuant to the issuance and allotment of the Conversion Shares to AFE; and
- (iii) any additional items as may be agreed in writing between the parties or as may be required under applicable laws.

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## LETTER TO SHAREHOLDERS

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(c) Successful completion of the Project

The Project shall be successfully completed to the reasonable satisfaction of the Company in accordance with the terms of the EPC Contract.

- 3.5.2. If (i) any of the Conditions stated in Sections 3.5.1(a) and 3.5.1(b) of this Circular are not satisfied or waived by the parties by 15 November 2017 (or such other date as may be agreed in writing by the parties), and (ii) the Condition stated in Section 3.5.1(c) of this Circular is not satisfied in accordance with the terms of the EPC Contract, the Outstanding Amount Conversion Agreement shall terminate and the provisions thereunder shall cease and be of no further effect (save for certain clauses as specified in the Outstanding Amount Conversion Agreement), and no party shall have any claim against any other parties for any costs, damages, losses or compensation, other than in respect of any antecedent breach of the Outstanding Amount Conversion Agreement. In the event of termination of the Outstanding Amount Conversion Agreement in accordance with this Section 3.5.2 of this Circular, the Relevant Outstanding Amount shall be dealt with in accordance with the terms of the EPC Contract.

### 3.6 Completion

Completion shall take place at such date and place as may be agreed by the Company and AFE, which shall in any event be no later than 10 Business Days after the Conditions have been satisfied or waived by the Company and AFE.

On Completion, subject to all necessary consents and approvals having been obtained by the Company, including but not limited to the approval of the Nominating Committee and the Sponsor, Mr. Kim, the director and the 40.0% shareholder of AFE, shall be appointed to serve as Chairman of the Board and a service agreement in relation thereto will be entered into between the Company and Mr. Kim with effect from Completion.

### 3.7 Appointment of Mr. Kim as the Chairman of the Board

Pursuant to the terms of the Outstanding Amount Conversion Agreement, on Completion, Mr. Kim shall be appointed to serve as a director of the Company and the Chairman of the Board and a service agreement in relation thereto will be entered into between the Company and Mr. Kim with effect from Completion. The appointment of Mr. Kim is subject to the following conditions:

- (a) the successful completion of the Project to the reasonable satisfaction of the Company in accordance with the terms of the EPC Contract;
- (b) approval of the Nominating Committee and the Sponsor for the appointment of Mr. Kim as a director of the Company and the Chairman of the Board having been obtained; and
- (c) all other necessary consents and approvals having been obtained by the Company, and if such consents or approvals are subject to any conditions to be satisfied by the Company, such conditions being so satisfied.

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## LETTER TO SHAREHOLDERS

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The Company and AFE have agreed that if any of the conditions mentioned above are not satisfied, Mr. Kim will not be appointed as a director of the Company or the Chairman of the Board and AFE shall have no claim whatsoever against the Company for breach of contract or otherwise.

#### 4. RATIONALE FOR THE OUTSTANDING AMOUNT CONVERSION

The Board is of the opinion that the Outstanding Amount Conversion is in the best interests of and not prejudicial to the Company for the following reasons:

- (a) the Outstanding Amount Conversion will extinguish or reduce, as the case may be, the Relevant Outstanding Amount or any proportion thereof owed by MEG to AFE under the EPC Contract and reduce the Group's indebtedness without adversely affecting the cash flow of the Company. While the Company will endeavour to settle the Relevant Outstanding Amount by cash, the Outstanding Amount Conversion allows the Company the flexibility to use the Conversion Shares (either solely or through a combination of cash and Conversion Shares) as consideration, thereby allowing the Company to conserve available cash;
- (b) the Outstanding Amount Conversion will allow AFE to have a direct and strategic stake in the Company, thus providing a firmer assurance on the continuity and growth of the microalgae business of the Group; and
- (c) as a possible Controlling Shareholder of the Company, the interests of the Company and AFE will be aligned, therefore motivating AFE generally to contribute positively towards the long-term progress of the Group.

Further, the Board is of the view that the appointment of Mr. Kim to the Board is beneficial to the Shareholders as Mr. Kim possesses the requisite technical qualification and more than 20 years of experience in the microalgae renewable energy and related business. The appointment of Mr. Kim to the Board will enable the Company to leverage on his expertise, knowledge and resources which is advantageous to the Company in terms of competition, transfer of know-how and the growth of the microalgae business of the Group, thereby allowing Shareholders to reap the benefits of such synergies between the Group and Mr. Kim.

#### 5. SET-OFF AND SETTLEMENT ARRANGEMENT

Assuming the Maximum Conversion Shares are issued and allotted in full, the aggregate Conversion Price payable by AFE to the Company is S\$3,000,000, which will be fully set-off and settled against the Relevant Outstanding Amount.

For the avoidance of doubt, there would be no cash proceeds raised from the Outstanding Amount Conversion as there would be no cash subscription by AFE for the Conversion Shares. The issuance and allotment of up to 3,000,000,000 Conversion Shares by the Company to AFE would be used purely to satisfy and set-off against the Relevant Outstanding Amount, or any proportion thereof, under the EPC Contract.



## LETTER TO SHAREHOLDERS

### 6. CONFIRMATION BY THE DIRECTORS

The Board is of the opinion that after taking into consideration (i) the present bank facilities available to the Group; and (ii) the net proceeds from the Notes Issue, the Group has sufficient working capital to meet its present requirements.

Notwithstanding the above, the Company has decided to undertake the Outstanding Amount Conversion for reasons explained in Section 4 of this Circular.

The Board is further of the opinion that after taking into consideration (i) the present bank facilities available to the Group; (ii) the net proceeds from the Notes Issue; and (iii) the reduction of the Group's indebtedness from the Outstanding Amount Conversion, the working capital available to the Group is sufficient to meet its present requirements.

### 7. POSSIBLE TRANSFER OF CONTROLLING INTEREST

Rule 803 of the Catalist Rules provides that an issuer must not issue securities to transfer a controlling interest without prior approval by Shareholders in a general meeting. Under the Catalist Rules, a Controlling Shareholder is a person who (a) holds directly or indirectly 15% or more of the total number of issued Shares (excluding treasury shares) in the Company, or (b) in fact exercises control over the Company. The Outstanding Amount Conversion may result in AFE holding 15% or more of the Enlarged Share Capital, therefore causing a possible transfer of controlling interest. Accordingly, the Company is seeking the approval of Shareholders for the Possible Transfer of Controlling Interest.

As at the Latest Practicable Date, AFE does not hold any Shares in the Company. Depending on the number of Conversion Shares to be issued to AFE, it is possible that AFE will own 15% or more of the Enlarged Share Capital. Assuming that the Maximum Conversion Shares are issued to AFE, AFE will hold in aggregate approximately 34.64% of the Existing Share Capital and approximately 25.73% of the Enlarged Share Capital after such issuance. This would result in a transfer of controlling interest and is subject to the approval of Shareholders for the purposes of Rule 803 of the Catalist Rules.

The direct shareholding interests of AFE, the Directors and the Substantial Shareholders of the Company as at the Latest Practicable Date, and the effect of the Outstanding Amount Conversion (assuming the issuance and allotment of the Maximum Conversion Shares) are as follows:

	As at the Latest Practicable Date				Assuming the issuance of the Maximum Conversion Shares			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(2)</sup>	Number of Shares	% <sup>(2)</sup>
<b>Directors</b>								
Kushairi Bin Zaidel	114,372,020	1.32	–	–	114,372,020	0.98	–	–
Seet Chor Hoon	69,063,300	0.80	–	–	69,063,300	0.59	–	–
Ong Chin Chuan	48,950,800	0.57	–	–	48,950,800	0.42	–	–
Ong Sing Huat	32,633,800	0.38	–	–	32,633,800	0.28	–	–

## LETTER TO SHAREHOLDERS

	As at the Latest Practicable Date				Assuming the issuance of the Maximum Conversion Shares			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(2)</sup>	Number of Shares	% <sup>(2)</sup>
<b>Substantial Shareholders (Other than Directors)</b>								
Lee Chin Cheh	680,000,000	7.85	75,000,000 <sup>(3)</sup>	0.87	680,000,000	5.83	75,000,000 <sup>(3)</sup>	0.64
Luke Ho Khee Yong	740,000,000	8.54	–	–	740,000,000	6.35	–	–
AFE	–	–	–	–	3,000,000,000	25.73	–	–
Mr. Kim	–	–	–	–	–	–	3,000,000,000 <sup>(4)</sup>	25.73
Kim Dokyoung	–	–	–	–	–	–	3,000,000,000 <sup>(4)</sup>	25.73
Koh Huei Boo	–	–	–	–	–	–	3,000,000,000 <sup>(4)</sup>	25.73

**Notes:**

- (1) Based on 8,661,175,454 Shares, being the Existing Share Capital.
- (2) Based on 11,661,175,454 Shares, being the Enlarged Share Capital.
- (3) Lee Chin Cheh is deemed to be interested in the 75,000,000 Shares held under the name of RHB Securities Singapore Pte Ltd.
- (4) By virtue of Section 4 of the Securities and Futures Act, Mr. Kim, Kim Dokyoung and Koh Huei Boo are deemed to be interested in the 3,000,000,000 Conversion Shares held by AFE, assuming the Maximum Conversion Shares are issued and allotted to AFE pursuant to the Outstanding Amount Conversion.

### 8. INFORMATION ON AFE AND MR. KIM

*The information in this section of the Circular relating to AFE is based on publicly available information or the information provided and/or representations made by AFE and the Company. The Directors, the Sponsor and the SGX-ST have not conducted an independent review or verification of the accuracy of the statements and information below.*

AFE is a company incorporated in Malaysia on 30 September 2014, and is principally engaged in microalgae oil cultivation and processing. It presently has an authorised share capital of RM1,000,000 divided into 1,000,000 ordinary shares of RM1 each and an issued share capital of RM800,000 divided into 800,000 ordinary shares of RM1 each. The directors of AFE are Mr. Kim and Khairul Nidzom Bin Dato' Haji Hormat. The shareholders of AFE are Chong Siew Fun (10%), Mr. Kim (40%), Kim Dokyoung (30%) and Koh Huei Boo (20%).

As disclosed in the 22 June Announcement, AFE has successfully grown microalgae in the conditions set up in Malaysia and has successfully processed the microalgae into bio-oil and proven that the said oil runs on a generator. AFE currently has approximately five (5) employees. In addition to being the project manager and engineering consultant during the construction phase of the Project, AFE will be in charge of the operation and maintenance for the cultivation and production of microalgae oil upon completion of the construction of the Project. AFE has further undertaken to secure offtake agreements with buyers, who shall enter into such offtake agreements directly with MEG.

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## LETTER TO SHAREHOLDERS

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Mr. Kim, a Korean national, is an entrepreneur who has founded several companies, including AFE. Mr. Kim is the founder and the 40.0% shareholder of AFE. He graduated from George Mason University majoring in Chemistry. He has more than 20 years of experience in renewable energy research and development, infrastructure construction, production, processing and trading. Further details on Mr. Kim and his resume can be found in the 17 July Announcement.

As stated in the 22 June Announcement, AFE has performed substantial research and development on the process and technology of microalgae oil cultivation and has obtained the following rights to the use of certain patents from Mr. Kim as set out below:

(a) Cultivation Patent

The cultivation patent is a patent for microalgae cultivation tank utilizing aeration to deliver carbon dioxide and circulation of microalgae. The cultivation patent has a registration number of 10-2014-0005028 and was published on 14 January 2014 at the Korean Intellectual Property Office (“**KIPO**”).

The same patent was filed on 22 September 2014 in Malaysia with the Intellectual Property Corporation of Malaysia under the registration number PI 2014002704 and is currently in the process of being granted.

(b) Harvesting Machine Patent

The harvesting machine patent is a patent for harvesting machine that has a registration number of 10-1294655 and was published on 9 August 2013 at KIPO.

The abovementioned patents are enforceable for 20 years from the date of the relevant patent registration.

There is no placement agent appointed for the Outstanding Amount Conversion. Details on how AFE was identified and introduced to the Company, amongst others, were disclosed in the 17 July Announcement. As stated in the 17 July Announcement, in 2015, the Company attempted to trade crude palm oil fruits in Indonesia, by way of filling the gap of logistical arrangements between the mills and small producers of the palm oil fruit in Central Java. In the process of due diligence and meetings with several parties, the Company was introduced to, amongst many potential business parties, Weschem Technologies Sdn Bhd (“**Weschem**”), in Malaysia. Weschem is a manufacturer and exporter of eco-friendly industrial chemicals using renewable and sustainable raw materials, such as palm oil products. A business opportunity arose when Weschem introduced the Company to finance and trade a batch of crude palm oil with AFE to deliver crude palm oil to a Korean renewable power source producer. At the same time, the Company was presented with the opportunity of investing in the microalgae cultivation plant in early 2015. The Company rejected the proposal as the project feasibility had not been proven in Malaysia. In early 2016, AFE completed its nursery plant and has successfully proven the growth of the microalgae in Weschem’s compound in Selangor, Malaysia. The Company had revisited Weschem and studied the cultivation process and physically sighted the cultivation process and demonstration of the use of the crude oil functioning in a diesel generator. Between the first encounter and June 2016, due diligence had been carried out to study the pros and cons of microalgae and the possible demand in the foreseeable future. Risk and rewards have been duly considered, thus leading to the Company’s ultimate decision to invest into the Project.

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## LETTER TO SHAREHOLDERS

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To the best of the knowledge of the Directors, save as disclosed in this Circular, AFE, its directors and its substantial shareholders do not have any connection (including business dealings) with the Company, its Directors and substantial shareholders. Neither AFE nor Mr. Kim is a substantial shareholder of the Company or any other person in the categories set out in Rule 812(1) of the Catalist Rules.

AFE has also undertaken that it will not transfer any of the Conversion Shares to any person or entity falling under Rule 812(1) of the Catalist Rules.

### 9. FINANCIAL EFFECTS OF THE OUTSTANDING AMOUNT CONVERSION

9.1 For illustrative purposes only, the *pro forma* financial effects of the Outstanding Amount Conversion on the Group are set forth below and were prepared based on the unaudited consolidated financial statements of the Group for FY2017, being the most recently completed financial year, subject to the following assumptions:

- (a) the maximum of 3,000,000,000 Conversion Shares are fully issued and allotted by the Company to AFE;
- (b) the expenses incurred by the Company in connection with the Outstanding Amount Conversion are disregarded for the purposes of calculating the financial effects;
- (c) for the purpose of computing the NTA per Share, it is assumed that the Outstanding Amount Conversion was completed on 30 June 2017; and
- (d) for the purpose of computing the LPS of the Group, it is assumed that the Outstanding Amount Conversion was completed on 1 July 2016.

The *pro forma* financial effects are presented for illustration purposes only, and are not intended to reflect the actual or future financial situation of the Company or the Group.

#### 9.2 Share Capital

	Before completion of the Outstanding Amount Conversion	After completion of the Outstanding Amount Conversion <sup>(1)</sup>
Issued and paid-up share capital (S\$'000)	144,769,088	147,769,088
Number of Shares	8,105,619,899	11,105,619,899

**Note:**

- (1) Assuming that the Maximum Conversion Shares had been issued and allotted by the Company to AFE as at 30 June 2017, being the end of FY2017, pursuant to the Outstanding Amount Conversion.

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## LETTER TO SHAREHOLDERS

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### 9.3 NTA

	Before completion of the Outstanding Amount Conversion	After completion of the Outstanding Amount Conversion <sup>(1)</sup>
NTA of the Group attributable to Shareholders (S\$'000)	30,755,100	33,755,100
Number of Shares	8,105,619,899	11,105,619,899
NTA per Share <sup>(2)</sup> (cents)	0.38	0.30

**Notes:**

- (1) Assuming that the Maximum Conversion Shares had been issued and allotted by the Company to AFE as at 30 June 2017, being the end of FY2017, pursuant to the Outstanding Amount Conversion.
- (2) NTA per Share is computed based on the NTA of the Group attributable to Shareholders divided by the number of Shares.

### 9.4 LPS

	Before completion of the Outstanding Amount Conversion	After completion of the Outstanding Amount Conversion <sup>(1)</sup>
Net loss of the Group attributable to Shareholders (S\$'000)	(7,707,628)	(7,707,628)
Weighted average number of Shares	7,626,164,096	10,626,164,096
LPS <sup>(2)</sup> (cents)	(0.10)	(0.07)

**Notes:**

- (1) Assuming that the Maximum Conversion Shares had been issued and allotted as at 1 July 2016, being the beginning of FY2017, pursuant to the Outstanding Amount Conversion.
- (2) LPS is computed based on the net loss of the Group attributable to Shareholders divided by the weighted average number of Shares.

## 10. RISK FACTORS

As at the Latest Practicable Date, to the best of the Directors' knowledge and belief, the risk factors relating to, amongst others, the Project, AFE and Mr. Kim that are material to Shareholders in making an informed judgment on the Proposed Transactions are set out in the 22 June Announcement. These are uncertainties, demands, commitments or events that may have a material and adverse impact on the business, results of operations, financial condition and prospects of the Group, should they occur.

Shareholders should carefully consider and evaluate each of the following risk factors and all other information contained in this Circular. The risks and uncertainties described below are only a summary, and are not intended to be an exhaustive description of all uncertainties, demands, commitments or events that the Group may face. There may be additional uncertainties, demands, commitments or events not presently known to the Group, or that the Group may currently deem immaterial, which could affect its business, results of operations, financial condition and prospects.

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## LETTER TO SHAREHOLDERS

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The full text of the risk factors as set out in paragraph 8 of the 22 June Announcement has been extracted from the 22 June Announcement and reproduced in italics below. Capitalised terms and expressions not defined in the extracts below have the meanings ascribed to them in the 22 June Announcement.

### **“8. RISK FACTORS**

#### **A. Operational and Competitive Risks**

*AFE has setup the AFE Processing Plant about 2km from the plot of land of the Plant. The AFE Processing Plant is capable of processing 200 MT of bio-oil per day. MEG is employing AFE to be the operations and maintenance contractor and shall deliver its production of microalgae to the AFE Processing Plant for processing. It must be recognised that both the Company and AFE shall benefit from the synergies between the Plant and the AFE Processing Plant. As such, AFE has a vested interest in the successful completion and operation of the Plant. However, MEG is dependent on the continued expertise of AFE for the continual operation of the Plant and the AFE Processing Plant for the processing of the Products. Should AFE’s expertise no longer be available to the Project, or the AFE Processing Plant is closed down or moved away to a further location, the financial and operational prospects of the Project would be adversely affected.*

#### **B. Risk of Competition**

*The Company has not obtained or entered into any non-compete agreements with any directors of AFE, including Mr Kim. Although there are no legal impediments for the directors of AFE to enter into commercial activities that may be in competition with the Company, the EPC Contract has included undertakings by AFE to compensate the full Contract Price in the event of any breach by the Contractor to guard against this potential risk.*

#### **C. Risk of Patent Expiry or Termination and/or the Termination and Expiry of the PLA**

*The Cultivation Patent, as stated in item 2 (a) above, that has been granted shall be valid till about year 2033. There is no assurance that the patent can be renewed for an additional period. Upon the expiry of the patent, competitors may take advantage of the relevant technology and information to compete against us. In addition, Mr Kim is the registered owner of the Licensed Patents. Should the PLA be terminated or expire, and it is not renewed due to reasons such as the expiration and non-renewal of the patent, there would be an adverse and serious impact on the operations and production of the Plant.*

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## LETTER TO SHAREHOLDERS

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### **D. Risk of Commercial Viability**

*Producing biodiesel<sup>1</sup> from microalgae is still a fairly new technology despite research on this alternative fuel for the past 30 years. Although the technology exists to harvest and convert algae into a usable source of biofuel<sup>1</sup>, there is a lack of large scale implementation to support current energy needs. More funding and implementation will still be required to refine and improve the technology and commercial processes before such biofuels<sup>1</sup> can be a viable and competitive alternative fuel source.*

### **E. Risk of Over-reliance on Mr Kim and the AFE Team**

*The success and viability of the Project will be dependent on the experience and expertise of Mr Kim, the founder and leader of AFE, as well as his team. The loss or exit of Mr Kim and his team from AFE would adversely impact the construction and operations of the Plant and if the Company is unable to locate another suitable expert with relevant experience in microalgae oil cultivation, the construction of the Plant and subsequent operations will be delayed. There is no assurance that the Company would be able to engage another suitable expert to construct and operate the Plant.*

*The growth of microalgae is dependent on the formulation of nutrients that Mr Kim has and is a trade secret held by Mr Kim. In the event that Mr Kim leaves AFE or in the event that the O&M Agreement and the PLA are terminated, there is a risk that the growth of the microalgae and the resultant production target of the Plant may be adversely affected.*

### **F. Risk of Loss of the Lease of the Land**

*The current lease of the land where the Plant will be situated is for a period of 3 years, with the option to extend for another 3 years, and the further option to renew for another 2 years. Should the lease be terminated or not renewed, the production will be required to be relocated. There is no assurance that the option to renew will be agreed between the Owner, AFE and the landlord. In addition, there is a risk that the rent for the land may be increased upon renewal and this would have an impact on the profitability of the Project.*

### **G. Risk of Inadequacy or Weaknesses of Internal Controls & Reporting of Production**

*The Owner understands that there is a need to set out robust internal controls and a reporting regime for each stage of the EPC Contract and O&M Agreement. Control points shall be established for the harvesting of, delivery to and receipt of microalgae at the Plant, and all production records of bio-oil and biomass extracted from the microalgae shall be collated and tabulated. All relevant documentation relating to all deliveries and receipts of each sale shall be duly obtained. Duly signed daily reports shall be submitted to the finance department of the Owner for matching to each sale/invoice to minimize any revenue leakage and it is anticipated that there would be minimal or no cash transactions to guard against any pilferage or similar risks. The Owner and the Contractor are currently engaged in studying and putting in place*

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<sup>1</sup> The Company would like to specify that microalgae produces crude microalgae oil, which may then be processed into biodiesel. Microalgae is harvested and converted into a usable source of bio-oil which can later be processed into biofuel.

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## LETTER TO SHAREHOLDERS

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*these internal controls and reporting requirements of the Plant. There is no assurance that the internal controls and reporting requirements that are adopted would be adequate or would fully cover any operational and/or financial risks arising from the Project.*

### **H. Other Business Risks**

*There is no assurance that the cultivation and sale of the Products will be successful and/or commercially viable. Nor are there any assurances that there would be sufficient offtake agreements between AFE and its customers (if any at all) to ensure that the profitability of the Project. The Project is also subject to the usual production risks, payment risks and operational risks that all production business are subjected to. It is also exposed to foreign exchange risks depending on currency fluctuations as it is anticipated that sales would be denoted in US dollars and Euro while production costs would be in Malaysian Ringgit.”*

### **11. ADJUSTMENTS TO OUTSTANDING CONVERTIBLES**

As disclosed in the Company’s circular dated 13 October 2014, the Company had on 3 September 2014 entered into a subscription agreement (the “**Subscription Agreement**”) with Premier Equity Fund (the “**Subscriber**”) and Value Capital Asset Management Private Limited, pursuant to which the Company agreed to issue and the Subscriber agreed to subscribe for S\$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 (“**Notes**”), comprising two (2) 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, subject to the terms and conditions of the Subscription Agreement (the “**Notes Issue**”). The Notes are convertible into Shares in the Company (the “**Notes Conversion Shares**”).

As at the Latest Practicable Date, the Company has issued an aggregate number of 7,641,089,242 Notes Conversion Shares. As at the Latest Practicable Date, the Company has an aggregate of S\$300,000 outstanding Notes that can be converted into 333,333,333 Notes Conversion Shares based on the conversion price of S\$0.0009 per Notes Conversion Share.

The Board hereby confirms that the Outstanding Amount Conversion does not constitute an adjustment event and will not trigger any adjustment to the number and/or conversion price of the Notes under the Notes Issue.



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## LETTER TO SHAREHOLDERS

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### 12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders are set out below:

	Direct Interest		Deemed Interest	
	Number of Shares	% <sup>(1)</sup>	Number of Shares	% <sup>(1)</sup>
<b>Directors</b>				
Kushairi Bin Zaidel	114,372,020	1.32	–	–
Seet Chor Hoon	69,063,300	0.80	–	–
Ong Chin Chuan	48,950,800	0.57	–	–
Ong Sing Huat	32,633,800	0.38	–	–
<b>Substantial Shareholders</b>				
Lee Chin Cheh	680,000,000	7.85	75,000,000 <sup>(2)</sup>	0.87
Luke Ho Khee Yong	740,000,000	8.54	–	–

**Notes:**

(1) Based on 8,661,175,454 Shares, being the Existing Share Capital.

(2) Lee Chin Cheh is deemed to be interested in the 75,000,000 Shares held under the name of RHB Securities Singapore Pte Ltd.

Save for matters disclosed in this Circular, none of the Directors or Substantial Shareholders have any interest, direct or indirect, in the Outstanding Amount Conversion, save for their respective shareholdings in the Company.

### 13. EXTRAORDINARY GENERAL MEETING

The EGM, notice of which is set out on pages N-1 to N-3 of this Circular, will be held on 30 October 2017 at 11:00 a.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) at Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 for the purpose of considering, and if thought fit, passing (with or without any modifications), the Ordinary Resolutions set out in the Notice of EGM.

### 14. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, may complete, sign and return the Proxy Form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the registered office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898, not less than 72 hours before the time fixed for the EGM. The completion and return of the Proxy Form by a Shareholder does not preclude him from attending and voting at the EGM should he subsequently decide to do so, although the appointment of the proxy shall be deemed to be revoked by such attendance 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 EGM.

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## LETTER TO SHAREHOLDERS

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A Depositor shall not be regarded as a Shareholder entitled to attend the EGM and to speak and vote thereat unless he is shown to have Shares entered against his name in the Depository Register at least 72 hours before the time fixed for the EGM.

### 15. DIRECTORS' RECOMMENDATIONS

#### 15.1 The Outstanding Amount Conversion

Having considered, *inter alia*, the terms of the Outstanding Amount Conversion Agreement, and the rationale for and the terms of the Outstanding Amount Conversion, the Directors are of the opinion that the Outstanding Amount Conversion is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 1 relating to the Outstanding Amount Conversion as set out in the Notice of EGM.

#### 15.2 The Possible Transfer of Controlling Interest

Having considered, *inter alia*, the rationale for and the terms of the Outstanding Amount Conversion, the Directors are of the opinion that the Possible Transfer of Controlling Interest is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution 2 relating to the Possible Transfer of Controlling Interest as set out in the Notice of EGM.

### 16. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Transactions, the Company and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

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## LETTER TO SHAREHOLDERS

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### 17. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 76 Playfair Road, #02-02 LHK 2 Building, Singapore 367996, during normal business hours from the date of this Circular up to and including the time and date of the EGM:

- (a) the Outstanding Amount Conversion Agreement;
- (b) the EPC Contract, the O&M Agreement and the PLA;
- (c) the Constitution of the Company; and
- (d) the annual report of the Company for FY2017.

Yours faithfully,

For and on behalf of the Board of Directors of  
**MAGNUS ENERGY GROUP LTD.**

Luke Ho Khee Yong  
Chief Executive Officer  
14 October 2017

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### MAGNUS ENERGY GROUP LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 198301375M)

*Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meaning as used in the circular dated 14 October 2017 issued by the Company (the “Circular”).*

**NOTICE IS HEREBY GIVEN THAT** an extraordinary general meeting (“**EGM**”) of Magnus Energy Group Ltd. (the “**Company**”) will be held on 30 October 2017 at 11:00 a.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) at Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 for the purpose of considering and, if thought fit, passing, with or without amendments, the Ordinary Resolutions set out below.

**Shareholders should note that Ordinary Resolution 2 is conditional upon the passing of Ordinary Resolution 1. In the event that Ordinary Resolution 1 is not passed, Ordinary Resolution 2 will also not be passed. In the event that Ordinary Resolution 1 is passed and Ordinary Resolution 2 is not passed, the Company will issue and allot such number of Conversion Shares to AFE under the Outstanding Amount Conversion that will not result in a transfer of controlling interest in the Company.**

#### **ORDINARY RESOLUTION 1: THE OUTSTANDING AMOUNT CONVERSION**

THAT the Outstanding Amount Conversion be and is hereby approved and that approval is hereby given to the Directors of the Company to:

- (a) issue and allot up to 3,000,000,000 Conversion Shares to AFE, subject to and otherwise in accordance with the terms and conditions of the Outstanding Amount Conversion Agreement, whereby such Conversion Shares shall rank *pari passu* in all respects with the then existing Shares of the Company, except for any dividends, rights, allotments, distributions or entitlements, the Record Date of which falls on or prior to the date of the issuance and allotment of the Conversion Shares, and will be admitted for listing and quotation on the Catalist; and
- (b) that any Director be and is hereby authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be advisable, necessary or expedient for the purposes of giving effect to the Outstanding Amount Conversion, with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors or any of them may deem fit or expedient or to give effect to this Ordinary Resolution or the transactions contemplated pursuant to or in connection with the Outstanding Amount Conversion.

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## **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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### **ORDINARY RESOLUTION 2: THE POSSIBLE TRANSFER OF CONTROLLING INTEREST**

THAT the Possible Transfer of Controlling Interest be and is hereby approved and that approval is hereby given to the Directors of the Company to:

- (a) allot and issue up to the Maximum Conversion Shares to AFE pursuant to Rule 803 of the Catalist Rules; and
- (b) that any Director be and is hereby authorised to take such steps, enter into all such transactions, arrangements and agreements and execute all such documents as may be advisable, necessary or expedient for the purposes of giving effect to the Possible Transfer of Controlling Interest, with full power to assent to any condition, amendment, alteration, modification or variation as may be required by the relevant authorities or as such Directors or any of them may deem fit or expedient or to give effect to this Ordinary Resolution or the transactions contemplated pursuant to or in connection with the Possible Transfer of Controlling Interest.

By Order of the Board  
**MAGNUS ENERGY GROUP LTD.**

Luke Ho Khee Yong  
Chief Executive Officer

14 October 2017

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Notes:

1. Except for a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act, a member entitled to attend, speak and vote at the EGM may appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified in the proxy form, failing which the appointments shall be deemed to be invalid.
2. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form, failing which the appointments shall be deemed to be invalid.
3. A proxy need not be a member of the Company.
4. The instrument appointing a proxy must be deposited at the registered office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898, not later than 72 hours before the time appointed for the holding the EGM.
5. The instrument appointing a proxy or proxies must be signed by the appointor or an attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, 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.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such persons as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act.
8. The submission of an instrument or form appointing a proxy or proxies by a member does not preclude him from attending and voting in person at the EGM if he so wishes.
9. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the EGM.
10. The Company shall be entitled to reject an instrument of proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.

### PERSONAL DATA PRIVACY TERMS:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

# MAGNUS ENERGY GROUP LTD.

(Incorporated in the Republic of Singapore)  
(Company Registration Number: 198301375M)

## IMPORTANT:

1. Pursuant to Section 181(1C) of the Companies Act, Cap. 50 of Singapore ("Companies Act"), Relevant Intermediaries may appoint more than two (2) proxies to attend, speak and vote at the extraordinary general meeting.
2. This Proxy Form is not valid for use by CPF investors and/or SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF and/or SRS investors should contact their respective CPF and/or SRS Approved Nominees for any queries they may have with regard to their appointment as proxies.

## PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of extraordinary general meeting dated 14 October 2017.

## PROXY FORM

(Please see Notes overleaf before completing this Proxy Form)

I/We (Name) \_\_\_\_\_

(NRIC/Passport/Co. Registration No.) \_\_\_\_\_

of (Address) \_\_\_\_\_

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

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

\*and/or (delete as appropriate)

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

or failing him/her/them, the Chairman of the extraordinary general meeting of the Company (the "EGM"), as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the EGM of the Company to be held on 30 October 2017 at 11:00 a.m. (or immediately after the conclusion or adjournment of the annual general meeting of the Company to be held at 10:00 a.m. on the same day and at the same place) at Carlton Hall, Level 2, York Hotel Singapore, 21 Mount Elizabeth, Singapore 228516 or at any adjournment thereof.

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with a "X" or a "✓" in the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the relevant number of shares in the relevant boxes provided above. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/they may think fit, as he/she/they will on any other matter arising at the EGM.)

No.	Resolutions relating to:	Number of votes For	Number of votes Against
<b>As Ordinary Business</b>			
1.	To approve the Outstanding Amount Conversion		
2.	To approve the Possible Transfer of Controlling Interest		

**Note:** Please note that the short descriptions given above of the Ordinary Resolutions to be passed do not in any way whatsoever reflect the intent and purpose of the Ordinary Resolutions. The short descriptions have been inserted for convenience only. Shareholders are encouraged to refer to the Notice of EGM for the full purpose and intent of the Ordinary Resolutions to be passed.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

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

\_\_\_\_\_  
Signature(s) of Member(s) or  
Common Seal of Corporate Member

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. Except for a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act, a member entitled to attend, speak and vote at the EGM may appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the proportion of his concerned shareholding (expressed as a percentage of the whole) to be represented by each proxy shall be specified in the proxy form, failing which the appointments shall be deemed to be invalid.
2. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary as defined under Section 181(6) of the Companies Act is entitled to appoint more than two (2) proxies to attend, speak and vote at the EGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form, failing which the appointments shall be deemed to be invalid.
3. A proxy need not be a member of the Company.
4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
5. The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company's share registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898, not later than 72 hours before the time appointed for holding the EGM.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or an attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, 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 EGM, in accordance with Section 179 of the Companies Act.
9. The submission of an instrument or form appointing a proxy or proxies by a member does not preclude him from attending and voting in person at the EGM if he so wishes.
10. The Company shall be entitled to reject an instrument of proxy or proxies which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument appointing a proxy or proxies if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
11. Investors who buy Shares in the Company using CPF monies and/or SRS monies (as may be applicable) ("**CPF/SRS Investors**") may attend and cast their vote at the EGM in person. CPF/SRS Investors who are unable to attend the EGM but would like to vote, may inform CPF and/or SRS Approved Nominees to appoint the Chairman of the EGM to act as their proxy, in which case, the CPF/SRS Investors shall be precluded from attending the EGM.