REPORT ON THE REVIEW OF SELECTED TRANSACTIONS UNDERTAKEN BY

Magnus Energy Group Ltd.
(Company Registration Number: 198301375M)
(Incorporated in the Republic of Singapore)

prepared by

Provenance Capital Pte. Ltd.
(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)

As the Professional Firm appointed by Magnus Energy Group Ltd.

21 August 2019

CONTENTS

Entities

"**ACRA**"	:	Accounting and Corporate Regulatory Authority
"**AFE**" or "**EPC Contractor**"	:	Algae Farm Engineering Sdn Bhd
"**Apphia**"	:	Apphia Minerals SOF Pte. Ltd., which appears in our write-up in Section 9: Convertible loan with Revenue Anchor Sdn Bhd
"**AIM**"	:	Alternative Investment Market of the London Stock Exchange
"**CAD**"	:	Commercial Affairs Department of Singapore
"**Colliers (S)**"	:	Colliers International Consultancy & Valuation (Singapore) Pte Ltd
"**Company**" or "**Magnus**"	:	Magnus Energy Group Ltd., (UEN: 198301375M) a company incorporated in the Republic of Singapore and listed on Catalist
"**Deloitte & Touche ERS**"	:	Deloitte & Touche Enterprise Risk Services Pte Ltd, the internal auditors of the Group with effect from 22 July 2015
"**Financial Frontiers**"	:	Financial Frontiers Pte. Ltd.
"**GCM**"	:	GCM Resources plc, a company incorporated in England and Wales, and listed on AIM
"**Group**"	:	The Company and its subsidiaries
"**Hudson**"	:	Hudson Clean Energy Partners
"**Innopac**"	:	Innopac Holdings Limited
"**ISR**"	:	ISR Capital Limited, now known as Reenova Investment Holding Limited
"**KIPO**"	:	Korean Intellectual Property Office
"**MEG**"	:	MEG Management Sdn. Bhd., a wholly-owned subsidiary of the Company
"**Mettiz**"	:	Mettiz Capital Limited
"**MGR**"	:	MEG Global Resources Limited
"**MGV**"	:	MEG Global Ventures Pte Ltd
"**MLS**"	:	Morgan Lewis Stamford LLC
"**Moore Stephens**" or "**External Auditors"**	:	Moore Stephens LLP, external auditors of the Company
"**MMP**"	:	MMP Resources Limited
"**MMPGPL**"	:	Magnum Modular Power Generation Pte Ltd
"**Opera**"	:	Opera Investments plc
"**Polo Resources**"	:	Polo Resources Limited

"**Primeforth**"	:	Primeforth Renewable Energy Limited, previously known as Primeforth Special Situation Fund Limited
"**Provenance Capital**"	:	Provenance Capital Pte. Ltd., the professional firm appointed by the Company to carry out the review of the Selected Transactions
"**PT Harta**"	:	PT MEG Harta Indonesia
"**REO Magnetic**"	:	REO Magnetic Pte. Ltd.
"**Revenue Anchor**"	:	Revenue Anchor Sdn Bhd
"**RHP**"	:	KJPP Rengganis, Hamid & Rekan
"**SGX RegCo**"	:	Singapore Exchange Regulation Pte. Ltd., a wholly-owned independent regulatory subsidiary of Singapore Exchange Limited
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Sino Construction**"	:	Sino Construction Limited, now known as MMP Resources Limited
"**Solopower**"	:	Solopower Systems Holdings, Inc.
"**Tantalus**"	:	Tantalus Rare Earths AG
"**Thames Capital**"	:	Thames Capital Partners LLC
"**Virtus Law**"	:	Virtus Law LLP
"**Weschem**"	:	Weschem Technologies Sdn Bhd
"**Yangtze**" or "**Yangtze Investment Partners**"	:	Yangtze Investment Partners Limited

Personnel

"**Mr John Ong**"	:	Mr John Ong Chin Chuan, the Independent Director of the Company from 30 June 2015 until 30 June 2019
"**Mr Kim**"	:	Mr Kim Jae Hoon, also known as Peter Kim
"**Mr Luke Ho**"	:	Mr Luke Ho Khee Yong, the CEO of the Company
"**Mr Nick Ong**"	:	Mr Nick Ong Sing Huat, the Non-Independent Non-Executive Director and Company Secretary of the Company
"**Mr Rudy Santoso**"	:	Mr Siem Liep San/Rudy Santoso

General

"**ABS Guidelines**"	:	The Association of Banks in Singapore: Listings Due Diligence Guidelines
"**AGM**"	:	Annual general meeting
"**Audit Committee**" or "**AC**"	:	The audit committee of the Company
"**Board**"	:	The board of directors of the Company

"**Catalist**"	:	Catalist of the SGX-ST
"**Catalist Rules**"	:	Listing Rules in Section B of the SGX-ST Listing Manual
"**CEO**"	:	Chief Executive Officer
"**CFO**"	:	Chief Financial Officer
"**CG Code**"	:	Code of Corporate Governance
"**Controlling Shareholder**"	:	A person who:- (a) holds directly or indirectly 15% or more of the total voting rights in the company. SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over a company
"**COO**"	:	Chief Operating Officer
"**Cultivation Patent**"	:	Cultivation patent for microalgae cultivation tank, registration number 10-2014-0005028
"**Dam Project**"	:	Dam construction in Banten, West Java, Indonesia
"**Deed**"	:	Deed of Acknowledgement of Indebtedness between the Group and PT Hanjungin dated 31 August 2017
"**Directors**"	:	Directors of the Company
"**EGM**"	:	Extraordinary general meeting
"**EPC Contract**"	:	Engineering, procurement and construction contract between the Group and AFE
"**Harvesting Machine Patent**"	:	Harvest machine patent for the harvesting machine, registration number 10-1294655
"**Independent Director**" or "**INED**"	:	An independent non-executive director of the Company
"**Indonesian Lawyers**"	:	The Company's Indonesian legal adviser in relation to the projects with PT Hanjungin
"**Innopac Review Report**"	:	Report on the investment process of Innopac dated 23 November 2018 prepared by Provenance Capital
"**IPO**"	:	Initial public offering
"**Kupang Land**"	:	The land in Kupang City, East Nusa Tenggara, Indonesia which is the subject of the housing development project referred to in this Report as the "Kupang Land project"
"**Latest Practicable Date**"	:	20 August 2019, being the latest practicable date prior to the issuance of this Report
"**M&A**"	:	Mergers and acquisitions

"**Management**"	:	Management of the Company
"**Microalgae Plant**"	:	Microalgae oil cultivation facility in Kundang, Selangor, Malaysia
"**Microalgae Project**"	:	The microalgae project as announced by the Company on 22 June 2016 to build a microalgae plant to cultivate microalgae and to process them into microalgae oil as bio-fuel
"**MOU**"	:	Non-binding memorandum of understanding entered into between the Group and PT Hanjungin
"**NAV**"	:	Net asset value
"**Nominating Committee**"	:	The nominating committee of the Company
"**Non-Independent Non-Executive Director**" or "**NINED**"	:	A non-independent non-executive director of the Company
"**Notes Issue**"	:	Issuance of up to S$35 million of redeemable convertible notes to Premier Equity Fund (as subscriber) and Value Capital Asset Management Private Limited (as arranger), due on 6 November 2017
"**NTA**"	:	Net tangible assets
"**O&M Agreement**"	:	Operation and maintenance agreement between the Group and AFE to manage the Microalgae Plant
"**Phulbari Coalmine**"	:	Coalmine located in the Phulbari region of Dinajpur District, Bangladesh
"**PPE**"	:	Property, plant and equipment
"**RCL**"	:	Redeemable convertible loan between PT Hanjungin and the Group
"**Property Business**"	:	Businesses which includes property and infrastructure asset development, operation and management
"**Remuneration Committee**" or "**RC**"	:	The remuneration committee of the Company
"**Report**"	:	This report addressed to the Board of the Company and dated 21 August 2019
"**Review**"	:	The review of the Selected Transactions, including an assessment of the adequacy of the Company's relevant processes, procedures and internal control as conducted by Provenance Capital
"**Review Date**"	:	12 July 2019, being the date that Provenance Capital had substantially completed its review of the Selected Transactions
"**Road Project I**"	:	Construction of toll road in Central Java, Indonesia
"**Road Project II**"	:	Construction of toll roads in Cimanggis, West Java and Solo, Central Java, Indonesia
"**Road Projects**"	:	Road Project I and Road Project II

"**RTO**"	:	Reverse takeover
"**Selected Transactions**"	:	The 8 selected transactions undertaken by the Group during the last 5 years from 2013 to 2017, namely: (a) Disposal of GCM shares; (b) A sum of S$300,000 recorded as fixed deposit; (c) Loans to Indonesian contractor, PT Hanjungin; (d) Joint investment agreement with Yangtze Investment Partners; (e) Purchase of company vehicle for CEO; (f) Convertible loan with Revenue Anchor Sdn Bhd; (g) Microalgae Project; and (h) CEO and Director's loans to the Company
"**SGXNET**"	:	Singapore Exchange Network, a system network used by listed companies in sending information and announcements to the SGX-ST or any other system networks prescribed by the SGX-ST
"**Shareholders**"	:	The registered holders of the Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares, mean the Depositors whose Securities Accounts are credited with the Shares
"**Shares**"	:	Ordinary shares in the issued and paid-up capital of the Company
"**Sponsor**"	:	Stamford Corporate Services Pte. Ltd., being the sponsor of the Company on Catalist since 22 April 2013. The registered professional and contact person for the Sponsor is Mr Bernard Lui

Financials

"**FY2012**"	:	Financial year ended 30 June 2012
"**FY2013**"	:	Financial year ended 30 June 2013
"**FY2014**"	:	Financial year ended 30 June 2014
"**FY2015**"	:	Financial year ended 30 June 2015
"**FY2016**"	:	Financial year ended 30 June 2016
"**FY2017**"	:	Financial year ended 30 June 2017
"**FY2018**"	:	Financial year ended 30 June 2018
"**FY2019**"	:	Financial year ended 30 June 2019
"**1QFY2017**"	:	First quarter and 3 months ended 30 September 2016
"**2QFY2017**"	:	Second quarter and half year ended 31 December 2016

DEFINITIONS

"**3QFY2017**"	:	Third quarter and 9 months ended 31 March 2017
"**1QFY2018**"	:	First quarter and 3 months ended 30 September 2017
"**2QFY2018**"	:	Second quarter and half year ended 31 December 2017
"**3QFY2018**"	:	Third quarter and 9 months ended 31 March 2018
"**1QFY2019**"	:	First quarter and 3 months ended 30 September 2018
"**2QFY2019**"	:	Second quarter and half year ended 31 December 2018
"**3QFY2019**" or "**9MFY2019**"	:	Third quarter and 9 months ended 31 March 2019
"**%**"	:	Percentage or per centum
"**MT**"	:	Metric tons
"**sq m**"	:	Square meters
"**£**" and "**pence**"	:	Sterling pounds and pence, the lawful currency of the United Kingdom
"**RM**"	:	Malaysian Ringgit, the lawful currency of Malaysia
"**Rp**"	:	Indonesian Rupiah, the lawful currency of Indonesia
"**S$**"	:	Singapore dollars, the lawful currency of Singapore
"**US$**"	:	United States dollars, the lawful currency of United States of America

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing a specific gender shall, where applicable, include the other genders. Reference to person shall, where applicable, include corporations.

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

Any reference in this Report to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Catalist Rules or any statutory modification thereof and not otherwise defined in this Report shall have the same meaning ascribed to that word under the Catalist Rules or any statutory modification thereof, as the case may be.

Any reference to a time of day and date in this Report shall be a reference to Singapore time and date unless otherwise stated.

Any discrepancy with figures in this Report between the listed amounts and the totals thereof is due to rounding. Accordingly, figures shown as totals in this Report may not be an arithmetic aggregation of the figures that precede them.

PROVENANCE CAPITAL PTE. LTD.

(Company Registration Number: 200309056E)
(Incorporated in the Republic of Singapore)
96 Robinson Road #13-01 SIF Building
Singapore 068899

21 August 2019

To: The Board of Directors of Magnus Energy Group Ltd.

Mr Kushairi Bin Zaidel	(Non-Executive Chairman and Independent Director)
Ms Seet Chor Hoon	(Independent Director)
Mr Wee Liang Hiam	(Independent Director)
Mr Ong Sing Huat	(Non-Independent Non-Executive Director)

(of which Mr Kushairi Bin Zaidel, Ms Seet Chor Hoon and Mr Wee Liang Hiam are the current members of the Audit Committee as at the Latest Practicable Date)

Dear Sirs/Madam,

REPORT ON THE REVIEW OF THE SELECTED TRANSACTIONS UNDERTAKEN BY MAGNUS ENERGY GROUP LTD.

1. INTRODUCTION

1.1 Magnus is a company listed on Catalist and its Sponsor is Stamford Corporate Services Pte. Ltd.. The registered professional from the Sponsor is Mr Bernard Lui.

The Company had appointed us on 18 April 2019 as the Professional Firm to carry out a review of Selected Transactions ("**Review**") which were undertaken by the Group during the last 5 years from 2013 to 2017 following various queries from, *inter alia*, the SGX-ST, its Sponsor and Mr Charles Madhavan, the former Executive Managing Director of the Company from 2 April 2018 to 26 May 2018. Mr Charles Madhavan was last known to the Company to have a total deemed shareholding interest of 5.50% in the Company. The Company had not undertaken any new significant M&A transactions since January 2018 to the Review Date.

The terms of reference for our Review have been confirmed with the then Audit Committee of the Company and cleared by the SGX RegCo. The then Audit Committee had comprised Mr Kushairi Bin Zaidel, Ms Seet Chor Hoon and Mr Ong Chin Chuan (also known as John Ong). Mr Wee Liang Hiam became a member of the current Audit Committee upon his appointment as an Independent Director on 1 June 2019. Mr John Ong resigned as Independent Director on 30 June 2019 and Mr Wee Liang Hiam took over the Chairmanship of the Audit Committee from Mr John Ong with effect from 1 July 2019.

We had a "kick-off" meeting on the project with the Company on 22 April 2019.

1.2 Our Review covers the following 8 Selected Transactions undertaken by the Group and, for ease of reference, we have used the following captions to refer to these Selected Transactions in this Report:

(i) Disposal of GCM shares;
(ii) A sum of S$300,000 recorded as Fixed Deposit;
(iii) Loans to Indonesian contractor, PT Hanjungin;
(iv) Joint investment agreement with Yangtze Investment Partners;
(v) Purchase of company vehicle for CEO;
(vi) Convertible Loan with Revenue Anchor Sdn Bhd;
(vii) Microalgae Project; and
(viii) CEO and Director's Loans to the Company.

Our findings as set out in this Report are based on our review of the Selected Transactions which were substantially completed as at the Review Date, being 12 July 2019.

1.3 Our main point of contact with the Company is Mr Luke Ho (CEO), acting as the key Management of the Company. He was assisted by Mr Tan Yew Meng (also known as Jack Tan) (Group Financial Controller and Deputy Corporate Secretary) who had provided the relevant information for our review until his resignation on 17 July 2019. Mr Luke Ho had assisted us by providing clarifications and explanations on various matters during the process of our review of the Selected Transactions. Mr Luke Ho, however, is not a Director of the Company. Mr Luke Ho has since 2014 been assisting the Commercial Affair Department ("**CAD**") in certain investigations and has not been charged with any offence.

As there were changes to the composition of the Board during the last 5 years when the Selected Transactions were undertaken, we have also held discussions with the relevant Directors, where relevant and accessible, to understand their deliberations on each of the Selected Transactions.

The Director, Mr Ong Sing Huat (also known as Nick Ong) and his law firm, Robert Wang & Woo LLP, had provided legal advice to the Company in respect of certain aspects of the transaction in relation to "Loans to Indonesian contractor, PT Hanjungin". In addition, Mr Nick Ong has been the Company Secretary to the Company since 2 June 2015. Mr Nick Ong was appointed as a Director on 2 November 2015 and became a member of the Audit Committee from 2 November 2015 to 1 November 2017. He remains as a member of the Nominating Committee and Remuneration Committee.

Mr Bernard Lui, the registered professional of the Sponsor, is also a partner with Morgan Lewis Stamford LLC ("**MLS**"). MLS had provided legal advice to the Company in respect of certain aspects of the transaction in relation to the "Microalgae Project" – Circular to Shareholders dated 14 October 2017.

Wherever appropriate, practicable and accessible, the Company had also facilitated our interviews with the relevant Directors and personnel outside the Company. These interviews were conducted after the Review Date following our findings and review of the Selected Transactions.

Where the parties have given us their consents, we have attached our interview notes with them in this Report. All, except one party, had given us their respective consents.

The interview notes with the relevant Directors and other personnel are attached as Appendix C to this Report.

In addition, on an unsolicited basis, Mr Charles Madhavan had approached us to offer his assistance in our review of the Selected Transactions and held the view that it is crucial that we interview him in relation to these Selected Transactions. Further details of the interview with Mr Charles Madhavan are set out in Appendix D to this Report.

Where findings, information, comments, inferences and conclusions from these persons have been included in this Report, wherever reasonably practicable, these persons have been given the opportunity to comment on the said findings, information, comments, inferences and conclusions (i.e. "**Maxwellisation**"). Drafts of this Report have been given to the Directors for their comments prior to the finalisation of this Report.

1.4 This Report is prepared for the purpose of the Review and is addressed to the Board of Directors of the Company. As a term of our engagement, the Audit Committee of the Company or SGX RegCo may at their own discretion decide to publish certain portions or the whole of this Report. Notwithstanding the above, neither the Company, the Directors, any Shareholder nor any other party may reproduce, disseminate or quote this Report (or any part thereof) for any other purposes, at any time and in any manner, or use or rely on it for any other purposes without the prior written consent of Provenance Capital in each separate instance.

2. SCOPE OF OUR REVIEW ON THE SELECTED TRANSACTIONS

2.1 The focus of this Report is on the review of the Group's existing processes and internal controls relating to the Company's acquisitions and investments (including loans and advances) in businesses, in particular, the Selected Transactions. The scope of our Review includes, *inter alia*, the following:

(a) Whether the Company has an existing process and internal controls with respect to its investment and M&A activities (including but not limited to, evaluation, approval, agreements, payment terms, approval of payments, recording, reporting of and follow up of proposed acquisitions/investments (including advances and loans)) which are in line with relevant regulatory requirements, including the Catalist Rules and CG Code, and whether they are sufficiently robust based on best practices to ensure proper and good corporate governance;

(b) Review the Selected Transactions and assess how the investment procedures for the Selected Transactions compare with the Company's existing investment and M&A activities processes and against best practices set out in the CG Code, ABS Guidelines and requirements under the Catalist Rules. Where relevant, to also review the flow of funds in the bank accounts of the Company in relation to the Selected Transactions;

(c) The extent of the due diligence, review and approval process undertaken by the Directors and Management for each of the Selected Transactions;

(d) Assess whether there was periodic review and follow-up reporting on the status of the Selected Transactions subsequent to the Company's entry into these transactions. Where there have been adverse developments, assess how the Company had dealt with these developments, whether timely announcements were made on the progress of the Selected Transactions, and where applicable, whether post mortem analyses were conducted;

(e) Highlight any non-compliance, significant or unusual deviations with requirements or guidelines under the constitution of the Company, CG Code, ABS Guidelines and Catalist Rules, and any conflict of interest;

(f) Whether members of the Board had adhered to their legal and fiduciary obligations and Company's policies and procedures;

(g) Whether the failures or impairment of any of the investments could have been avoided through the improvements in internal controls or processes and where there have been failures or weaknesses noted in relation to the Selected Transactions, to quantify the impact on the Company's financials if they have not already been impaired, and, if possible, to identify the parties responsible for such failures or weaknesses; and

(h) Highlight any other material matters in our Review which may require further reviews or investigations.

2.2 Our approach to the Review

We note that the Company has the following policies which are relevant to the Selected Transactions: (a) Enterprise Risk Management Policy; (b) Corporate Disclosure Operation & Policy and (c) Investment Policy. However, we note that the policies in relation to Corporate Disclosures and Investment are relatively brief and the policies in relation to Enterprise Risk Management are not tailored to the Company. The Company also does not have procedures on how risk should be managed or addressed when the Company/Management is considering a proposed investment.

Hence, we have carried out our Review in the following manner:

Our review

Firstly, by carrying out a detailed review of each of the Selected Transactions. Our detailed review of each of the Selected Transactions are based on, *inter alia*:

(a) publicly available information, disclosures and announcements by the Company on the Selected Transactions;

(b) our independent findings and research, where applicable; and

(c) Board and AC minutes, certain email correspondences, letters, legal documents, payment vouchers, remittances, accounting records, clarifications and explanations by the Management and the relevant Directors.

The detailed write-ups of our review and findings of each of these Selected Transactions are set out in Sections 4 to 11 of this Report. These write-ups also set out our proposed interview questions with the various parties.

Our interviews

Secondly, following from our review, we have conducted interviews with the following parties based on our proposed interview questions and other additional queries which may arise during the course of our interviews:

- the relevant Directors who have oversight of the Selected Transactions; and
- other personnel including, *inter alia*, External Auditors, Sponsor, Mr Kim and a former partner of a law firm.

With regard to Mr Charles Madhavan, Mr Charles Madhavan had on his own accord requested to be interviewed by us as he was of the opinion that he could offer his assistance in our review of the Selected Transactions and other matters. We have therefore also conducted the interview with Mr Charles Madhavan following the completion of our interviews with the relevant Directors and other personnel.

Our interview notes are set out in Appendices C and D to this Report.

Our recommendations

Pursuant to our review of each of the Selected Transactions, we have identified various weaknesses and shortfalls pertaining to each of these Selected Transactions and have also made recommendations for the Company's consideration to be adopted or incorporated into their relevant policies going forward. These recommendations are set out in the detailed write-up of each of the Selected Transactions in Sections 4 to 11 of this Report.

In addition, following our interviews with the various parties, we have made certain observations which we have set out in paragraph 3.2 below.

Review of the Company's existing policies

We had reviewed the Company's existing policies and highlight some of the shortfalls of these policies in Section 12 of this Report. As these policies are relatively brief or are not tailored for practical implementation when the Company is evaluating or carrying out a proposed investment, the Company might not have gone through a vigorous process and internal control procedures before embarking on several of the Selected Transactions. In addition, we note that the Company is thinly staffed and does not have the relevant resources and skill sets to carry out and monitor these investments which are in different industries, ranging from mining, property and infrastructure development, to microalgae farming.

We would therefore recommend the Company to appoint a professional adviser to re-look and re-work on improving and expanding the Company's existing policies with respect to its investments and M&A activities. The Company should also consider recruiting relevant suitably qualified and experienced staff to beef up its management team.

3. SUMMARY OF OUR RECOMMENDATIONS

3.1 Selected Transactions

From our review of the Selected Transactions, we have identified various weaknesses and shortfalls in terms of, *inter alia*, inadequate and inaccurate disclosures, insufficient due diligence and checks, expectation gaps of the role and scope of work of its legal advisers and other professional advisers. We have also set out a summary of recommendations in key areas which are specific to each of the relevant Selected Transactions for the Company's consideration and which we would recommend the Company to adopt/incorporate in its existing policies going forward.

In summary, some of these recommendations arising from our review of the Selected Transactions include the following:

(i) The Company should appoint suitably qualified legal/professional advisers to assist and advise in the preparation and review of announcements, legal and related documents and should set out an appropriate scope of work which commensurate with the fees to extend beyond pure documentation work. Where the Company does not have the relevant expertise, the Company should engage these professionals to provide the necessary advice.

We observe that the Board has a tendency to assume that relevant legal matters will be taken care off when a lawyer is involved in respect of the transaction even though the scope of engagement of the lawyer is purely for documentation purposes only and does not advise on the structure, terms and conditions, enforceability of collateral, conditions of equity conversion, and the interest of the Company.

(ii) The Company should consult its legal advisers, auditors and/or Sponsor, when in doubt, on the relevant disclosures in its announcements, annual reports and other public documents, on the accounting treatment for various aspects of the transactions, and on the interpretation of the Catalist Rules on whether or not the transactions require Shareholders' approval at an EGM, and in its responses to queries from the SGX-ST and the Sponsor.

(iii) The Company should provide relevant training to its staff and/or encourage its staff to keep abreast with the SGX-ST disclosure requirements and other relevant matters. The lack of such training could have led Management to believe that they are in the know of such matters and hence do not need to consult with its advisers, auditors and/or Sponsor.

(iv) The Company should appoint professional adviser to assist in due diligence checks on its contractual counter-parties, and advise on the feasibility of the project, structure and terms of the transaction.

(v) Where legal or professional advice are obtained and issues are highlighted by these professionals, the Company and the Board should deliberate on how these issues should be addressed and how the proposed project is to be proceeded with. Such board deliberations should be minuted for ease of subsequent monitoring and follow-up.

(vi) The Company should obtain confirmation of compliance from its advisers in writing and should not rely on verbal or informal "go-ahead" to proceed before entering into any binding agreement/commitment.

(vii) The Company should check to ensure that, *inter alia*, all announcements, information and responses to SGX-ST are timely, accurate, factual and not misleading. Announcement of a proposed transaction/investment should include adequate and reasonable information on the transactions and not only on a "check-the-box" disclosure requirement by the SGX-ST.

(viii) If there are subsequent material changes and development on the proposed transactions, the Company ought to disclose these material changes and explain the reason(s) behind these changes.

(ix) The Company should have close monitoring of funds utilized by its joint venture partners and should obtain periodic progress reports (containing sufficient relevant information on the actual status of the progress) of the project from its project partners.

(x) The Company should disburse monies only to its contractual counter-party and/or to pre-approved parties under the terms of the contract and not to unknown parties even if it is at the written instructions of its contractual party, unless deemed necessary after deliberations with and approval of the Board, which should be minuted. All payments should be supported by invoices and/or purpose of payment should be specified.

(xi) The Company should read and understand the terms of engagement with its service provider, e.g. the coordinating valuer, and ensure that the name of the actual firm of valuers signing off the valuation report is disclosed as the valuer instead of the coordinating valuer. In the case of a valuer who is an associate or member of an international group of valuers, the Company should disclose the fact "as is", to avoid giving misleading impression and/or information.

(xii) The Company should carry out due diligence checks on its joint venture partner and evaluation of the proposed projects and not rely solely on the representations made by its joint venture party/counterparty.

(xiii) the Company should assess internally before each transaction whether (a) it wish to make the investment as a passive investment after evaluating the risk-reward involved; or (b) it wish to embark on the investment as a core business, in which case the Company should ensure that it has sufficient staffing to monitor and oversee the project.

3.2 Other observations

In the course of our Review following the feedback of various personnel whom we have interviewed, we have also made the following observations:

(i) Some of the Directors may not have the relevant industry experience to understand the intricacies of the transactions and therefore had relied on Management's representations and recommendations and on other Directors' opinions and comments;

(ii) Some of the Directors may not have sufficient experience as directors of listed companies and hence may not fully understand and appreciate the disclosures and other requirements of the Company;

(iii) Some of the Directors are under the impression that the Company has appointed lawyers for all its proposed investments/joint ventures and hence all legal and compliance matters are in order.

(iv) As the Company has a Sponsor and as the Company's Sponsor is a member of a law firm, and the registered professional of the Sponsor is also a practising lawyer, the Company and its Directors may have assumed that all legal and compliance matters of the Selected Transactions are in order;

(v) Some of the Directors may have assumed that all legal and compliance matters are taken care of when a lawyer has been appointed or seemed to be involved in a transaction without realising that the scope of work for the lawyer is only confined to documentation or providing a template of a legal document; and

(vi) Some of the Directors may also have assumed that a fellow director who is a practising lawyer or a lawyer by training would look after all legal and compliance matters of transactions brought before the Board. Similarly, some of the Directors may have assumed that their role and contribution as a director is confined mainly to the area of speciality that they are in.

Overall, it is recommended that the Company should ensure that its Directors undergo regular and relevant training to be familiar with the SGX-ST listing requirements and other relevant areas to understand and appreciate the roles and duties of a director in a SGX-ST listed company.

We also note the practical difficulties that the Company faces in trying to recruit suitably qualified management personnel and Directors, given its present situation including the lack of funding.

3.3 It should be noted that the above summary of recommendations and observations should be read in conjunction with and in the context of the entirety of this Report. The detailed write-up of each of the Selected Transactions and interview notes with the various personnel will give further insights into these transactions.

4. EXPRESSION OF THANKS

We would like to express our thanks to the Board and Management of the Company, and the relevant personnel for their co-operation throughout the course of our review and preparation of this Report.

Yours faithfully
For and on behalf of
PROVENANCE CAPITAL PTE. LTD.

Wong Bee Eng
Chief Executive Officer

1. INTRODUCTION

1.1 On 12 October 2018, the Company had disclosed, *inter alia*, in response to queries raised by SGX RegCo and its Sponsor in relation to certain past and ongoing projects and activities of the Group, that it was in discussions with external professional parties with the intention to appoint a professional firm to carry out a review of these Selected Transactions, including an assessment of the adequacy of the Company's relevant processes, procedures and internal control.

On 18 April 2019, we were appointed by the Board as the Professional Firm to carry out the Review. Our terms of reference of the Review have been confirmed with the then Audit Committee of the Company and cleared by the SGX RegCo. The then Audit Committee had comprised Mr Kushairi Bin Zaidel, Ms Seet Chor Hoon and Mr John Ong. Mr John Ong resigned as Independent Director on 30 June 2019 and Mr Wee Liang Hiam, who became an Independent Director on 1 June 2019, took over the Chairmanship of the Audit Committee from Mr John Ong with effect from 1 July 2019.

We had a "kick-off" meeting on the project with the Company on 22 April 2019.

Our Review covers the following 8 Selected Transactions which were undertaken by the Group from 2013 to 2017. The Company had not undertaken any new significant M&A transactions since January 2018 to the Review Date.

(i) Disposal of GCM shares;
(ii) A sum of S$300,000 recorded as Fixed Deposit;
(iii) Loans to Indonesian contractor, PT Hanjungin;
(iv) Joint investment agreement with Yangtze Investment Partners;
(v) Purchase of Company vehicle for CEO;
(vi) Convertible Loan with Revenue Anchor Sdn Bhd;
(vii) Microalgae Project; and
(viii) CEO and Director's Loans to the Company.

Our findings as set out in this Report are based on our review of the Selected Transactions which were substantially completed as at 12 July 2019, being the Review Date.

1.2 Overview of the Business Segments of the Group

This section sets out an overview of the business segments that the Group had ventured into in the past and which had led to the Company investing in the Selected Transactions and a brief status of these businesses as at the Review Date. The Company had in connection with the expansion of its business segments also sought Shareholders' approvals to diversify into the new businesses during the last 5 years from 2013 to 2017, as the Company did not want to be dependent entirely on the energy sector, i.e. oilfield equipment supply and services segment.

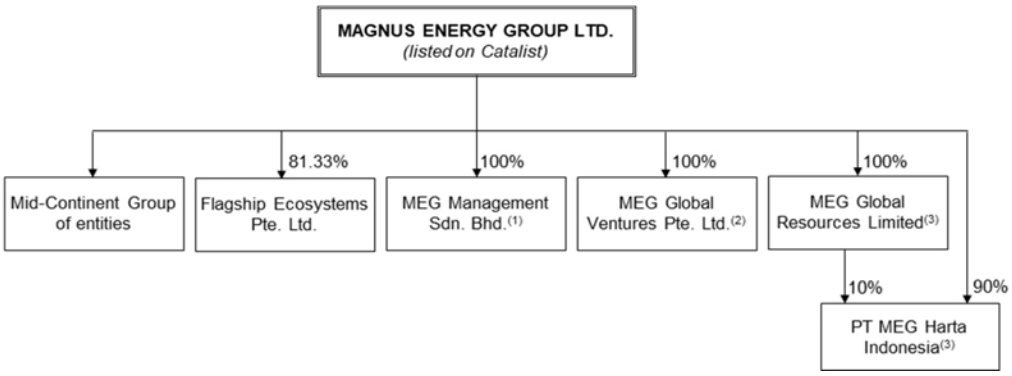
The Company is an investment holding company and through its subsidiaries had undertaken the Selected Transactions, namely:

- MEG – to undertake the Microalgae Project;
- MGV – to undertake the investment in the GCM shares and the Convertible Loan with Revenue Anchor; and
- MGR and PT Harta – to undertake the projects with PT Hanjungin.

Other Selected Transactions in relation to the fixed deposit of S$300,000, joint investment agreement with Yangtze Investment Partners, purchase of company vehicle for CEO, and CEO and Director's Loan to Company are undertaken at the Company level.

The Mid-Continent group of companies is engaged in oilfield equipment supply and services segment. Flagship Ecosystems Pte. Ltd. is currently inactive.

The organisation chart of the Group is set out below:



Notes:

(1) MEG is the entity that undertakes the Microalgae Project;

(2) MGV is the entity that held the GCM shares and the Convertible loan with Revenue Anchor; and

(3) MGR and PT Harta are entities involved in the Loans to Indonesian contractor, PT Hanjungin.

Oilfield equipment supply and services segment

Incorporated in Singapore on 28 March 1983, the Company was a mechanical and engineering company then named Strike Engineering Ltd and listed on SESDAQ (now known as Catalist).

The Company had acquired Mid-Continent Equipment Group Pte Ltd and its subsidiaries in its first venture into the oil and gas sector and changed its name to its present name, Magnus Energy Group Ltd. in 2004. The Group's business in the oilfield equipment supply and services segment remains the Group's main core business and only revenue contributor presently, although the Company had disclosed that the Group had been affected by the prolonged supply and demand imbalances in the oil and gas industry in the last several years which had in turn negatively affected the demand for the Group's oilfield equipment supplies and services. The Group had restructured some of its loss-making subsidiaries and implemented cost cutting measures.

Coal mining segment

The Company then ventured into the coal mining sector and successfully listed its coal operations under APAC Coal Limited ("**APAC**") on the Australian Stock Exchange in July 2008.

In August 2013, the Company took a further step into coal mining by taking a 15% minority stake (approximately 9.4 million GCM shares) in GCM Resources plc, a company listed on AIM for a consideration of approximately S$3.7 million. GCM was described as a mining company with its major asset being the Phulbari Coalmine in Bangladesh which was awaiting approval from the Government of Bangladesh to develop the mine. The Company had sold 0.4 million GCM shares in the open market in February 2017, and in March and June 2017, the Company had transferred the remaining 9 million GCM shares to certain parties at the instructions of Thames Capital and had recognised the transfer as a disposal of these GCM shares for approximately S$3.1 million, of which approximately S$2.14 million had remained as an amount owing from Thames Capital and was recorded under trade and other receivables in the books of the Group as at 30 June 2018.

In April 2016, the Company made a further indirect investment in GCM through the assignment of a convertible loan of £510,000 from Revenue Anchor for approximately S$1 million, such convertible loan being convertible into new GCM shares. In July 2018, the Company accepted the transfer of a certain number of GCM shares as full settlement of the convertible loan owed by Revenue Anchor and the Company had disposed of these GCM shares in the open market.

Following the reverse takeover of APAC (thereafter known as Credit Intelligence Limited ("**CIL**")), CIL ceased to be a subsidiary of the Company on 28 May 2018 and the Company's remaining interest in CIL has been classified as available-for-sale financial assets. Following the above, the Group's business in coal mining segment was discontinued.

Renewable energy segment

In order to seize investment opportunities and to enhance value for Shareholders, the Company had in October 2014 sought and obtained Shareholders' approval at the EGM for the Group to diversify into mineral and energy business and to invest in quoted securities to manage its cash resources and investment risk.

In the Circular to Shareholders dated 13 October 2014, the Company had disclosed that it intends to venture into energy related business or by entering into joint ventures or partnerships with parties with expertise or assets in the sector. Such investments could be a controlling or non-controlling interests and the Company may participate directly in the operations if it feels it can add value and expertise, but will generally invest in companies with proven management.

To manage its cash resources and risk exposure in the energy sector, the Company intends to deploy its available cash resources towards making investments in quoted securities, and will adhere to the Company's risk and investment policies and procedures.

In order to provide some of the funds required to implement the above diversification, the Company also obtained Shareholders' approval at the same EGM held in October 2014 to issue up to S$35 million of redeemable convertible notes due 2017 and the issue of new Shares upon the conversion of the notes to Premier Equity Fund (as subscriber). Value Capital Asset Management Private Limited was the arranger to the notes issue and was entitled to an arranger's fee for the Notes subscribed by and issued to Premier Equity Fund. The Company had referred to the above as the Notes Issue program.

Under the Notes Issue program, the Company had drawn down in aggregate S$26 million by the issuance of the notes at various times to Premier Equity Fund (as the subscriber) and these notes were also converted into new Shares, amounting to some 10.2 billion Shares. The Notes Issue program had expired on 6 November 2017. Total net proceeds raised from the Notes Issue program amounted to S$25.48 million after deducting arranger's fees of S$520,000 and have been fully utilised, of which S$15.66 million had been utilised for the Selected Transactions as follows:

(a) Kupang Land project – S$5 million;
(b) Joint investment agreement with Yangtze Investment Partners – S$1.408 million;
(c) Road Project I and Road Project II – S$1.9 million;
(d) Dam Project – S$1 million;
(e) Convertible Loan with Revenue Anchor – S$1.009 million; and
(f) Microalgae Project – S$5.343 million.

Among the above Selected Transactions, joint investment agreement with Yangtze Investment Partners is related to renewable energy and Microalgae Project is in the renewable energy segment.

- Joint investment agreement with Yangtze Investment Partners

  The Company had announced in August 2015 that it had entered into a joint investment agreement with Yangtze Investment Partners to invest US$1 million (S$1.4 million) in a pre-IPO company that was engaged in renewable energy sector and that was planning to be listed on the London Stock Exchange.

  The above investment was recorded as Joint Investment under Other Financial Assets and fully impaired in FY2016 in view of the uncertainty arising from the delays in the joint investment. In May 2017, the joint investment agreement was terminated.

As the above investment was fully impaired within the same financial year that the investment was first made, the above investment was not classified under any business segment of the Group.

- Microalgae Project

  The Company had embarked on the Microalgae Project in June 2016 to build a Microalgae Plant to cultivate microalgae and to process them into microalgae oil as bio-fuel. Total investment in the plant amounted to S$12.95 million in FY2018 (as at 30 June 2018) and is recorded under PPE. Production, however, could not commence presently due to contamination issue on the microalgae. The Company had announced that it is assessing the need for impairment on its investment in the plant for FY2019.

  The Microalgae Project is classified under renewable energy segment of the Group.

Waste water treatment segment

In October 2015, the Company obtained Shareholders' approval to invest in Flagship Ecosystems Pte Ltd ("**Flagship**") and to diversify into (a) Property Business; and (b) Minerals and Natural Resources Business. Shareholders' approval for the Company to invest in Flagship also meant approval for the Company to diversify into the Environmental Business which the Company had referenced it to as waste water treatment segment in its annual report for FY2016.

Following the above, in December 2015, the Company went into the waste water treatment business by completing the acquisition of a 60% equity interest in Flagship through a subscription of new shares in Flagship for S$1.0 million. Flagship's main operating entity is its Indonesian subsidiary, PT Ecosystems International ("**PT ESI**"). The key management of Flagship includes Mr Theron Madhavan, who is one of the founding members and CEO of Flagship. Mr Theron Madhavan is the brother of Mr Charles Madhavan. The Company had informed us that Mr Theron Madhavan had introduced Mr Charles Madhavan to the Company.

In December 2016, the Company announced the disposal of PT ESI to Mr Theron Madhavan, due to its poor performance.

In May 2017, the Company acquired an additional equity interest in Flagship for a consideration of S$1, making Flagship its 81.33%-owned subsidiary. Flagship is currently inactive.

Property and infrastructure asset development segment

As mentioned above, Shareholders' approval was obtained in October 2015 for the diversification into the Property Business which included property and infrastructure asset development, operation and management.

Before the above Shareholders' approval was obtained for the said diversification, the Company had on 22 May 2015 entered into the RCL agreement with PT Hanjungin for the purpose of the Kupang Land housing development project in Kupang City, Indonesia. In addition, between May and August 2015, the Company had extended in full the S$5.0 million to PT Hanjungin pursuant to the RCL agreement. Although the housing development project is Property Business in nature, as the Company had participated in the project *via* an extension of loans, the Company had classified it under other receivables in its financial statements for FY2016. The Company had also believed that prior Shareholders' approval for the Kupang Land housing development project was not required as the RCL loan is neither an acquisition nor an investment in the Property Business.

In November 2015, the Company participated in the Road Project I with PT Hanjungin and extended working capital of S$1 million to PT Hanjungin for Road Project I in November/December 2015. In February 2016, the Company participated in the Road Project II with PT Hanjungin and extended working capital of S$0.9 million to PT Hanjungin for Road

Project II by April 2016. In March 2016, the Company participated in the Dam Project with PT Hanjungin and extended working capital of S$4 million to PT Hanjungin for the Dam Project in April 2016.

The Road Project I, Road Project II and Dam Project were initially classified as available-for-sale financial assets in FY2016.

The Road Project I, Road Project II and Dam Project were terminated in May and September 2016 and some of the working capital loans were repaid by PT Hanjungin to the Company.

The remaining amount of unrepaid working capital loans, the convertible loan for the Kupang Land housing project and outstanding interests were consolidated into the Restructured Loan of S$7.4 million and classified as other receivables in FY2017.

Eventually, the Group had recognized a full impairment of the outstanding Restructured Loan amount of S$7.3 million in FY2018.

Minerals and natural resources segment

Although the Company had obtained Shareholders' approval to diversify into the Minerals and Natural Resources Business in October 2015, the Company does not have such a business segment classification in its full year results yet.

Investment holding

The Company also has investment holding as one of the main operating business segments.

From our observations and understanding from Management,

- the Mid-Continent group of companies are under the oilfield equipment supply and services segment which is still the main core business segment of the Group;
- APAC was under the coal mining segment and which had since been discontinued;
- Flagship was under waste water treatment segment and which is presently inactive following the sale of its main operating entity, PT ESI;
- Microalgae Project is under renewable energy segment, is on-going but had stalled due to the contamination issue on the microalgae cultivation; and
- All others are generally classified under investment holding segment which includes investment in GCM shares, loans to PT Hanjungin, joint investment with Yangtze Investment Partners, and convertible loan with Revenue Anchor, if these are not already been impaired.

1.3 The Group's fund raising activities

To provide part of the funding required for the Group's investment and M&A activities, the Group had carried out several fund raising exercises from FY2015 to FY2018:

(a) Notes Issue program in 2014 to issue up to S$35 million of redeemable convertible notes to Premier Equity Fund (as subscriber) and Value Capital Asset Management Private Limited (as arranger), due on 6 November 2017;

(b) Convertible notes of S$3.5 million to Financial Frontiers Pte. Ltd. in April 2016, with extended due date from October 2016 to 31 March 2017;

(c) Placement of Shares on 8 March 2018 to investors including Mr Charles Madhavan, the former Managing Director of the Company, to raise gross proceeds of S$1.179 million;

(d) CEO and Director's Loans to the Company totalling S$650,000 on 27 April 2017; and

(e) Attempted share placement announced on 5 July 2018 to raise S$2.28 million which the Company did not proceed with further as the Company could not confirm the interests of the potential investors.

In total, the Company had raised gross proceeds of S$31.3 million from these fund raising exercises from FY2015 to FY2018 and had utilised close to S$20.0 million for the Selected Transactions. The Company did not raise any significant funds during FY2019 and up to the Review Date.

Table 1 – funds raised from FY2015 to FY2018

(S$'000) Fund raising activities	FY2015	FY2016	FY2017	FY2018	Total	Amount utilized for the Selected Transact-ions
Notes Issue program (Nov 2014 – Nov 2017)	7,500	14,000	2,500	2,000	26,000	15,660
Convertible notes from Financial Frontier (Apr 2016)		3,500			3,500	3,000
Director and CEO's Loans (Apr 2017)			650		650	650
Share placement on 29 March 2018				1,179	1,179	640
Total	**7,500**	**17,500**	**3,150**	**3,179**	**31,329**	**19,950**

The Company had utilized close to S$20.0 million from the above fund raising exercises as well as other internal funding sources to fund the Selected Transactions[4] as shown in Table 2 below.

Note:

(4) These do not apply to the Selected Transactions with regard to the Director and CEO's Loans as these loans were one of the funding sources for the Selected Transactions.

Table 2 – how the Selected Transactions were funded

(S$'000) Selected Transactions[5]	Notes Issue program	Convertible notes from Financial Frontier	Director and CEO's loans	Share placement	Others including internal funding[6]	Total investment
S$300K recorded as fixed deposit (Jan 2015)					300	300
Loans to PT Hanjungin (May 2015 – Apr 2016)	7,900	3,000				10,900
Joint investment agreement with Yangtze Investment Partners (Aug 2015)	1,408					1,408
Purchase of Company vehicle for CEO (Sep 2015)					299	299

(S$'000) / Selected Transactions[5]	Notes Issue program	Convertible notes from Financial Frontier	Director and CEO's loans	Share placement	Others including internal funding[6]	Total investment
Convertible Loan with Revenue Anchor (Apr/May 2016)	1,009					1,009
Microalgae Project (Jun 2016 – Oct 2018)	5,343		650	640	6,317	12,950
Total	**15,660**	**3,000**	**650**	**640**	**6,916**	**26,866**
	←	**19,950**		→		

Notes:

(5) These do not apply to the Selected Transaction with regard to the disposal of GCM shares. The investment in the GCM shares was made in August 2013; and

(6) The internal funding includes the recycling of funds e.g. partial repayment of monies from PT Hanjungin which could be utilised for the Microalgae Project.

For the S$3.5 million funds raised pursuant to the convertible notes from Financial Frontier in April 2016, S$3.0 million of these funds were immediately utilised to finance part of the Dam Project of S$4.0 million.

For the Director and CEO's Loans of S$650,000 raised in April 2017, they were immediately utilised for the Microalgae Project in April 2017.

Similarly for the share placement in March 2018 which raised S$1.179 million, S$640,000 was immediately utilised for the Microalgae Project in March 2018.

With the Notes Issue program, the Company was able to draw down the Notes in tranches over a period of time from November 2014 to October 2017. The amount raised and utilised for the Selected Transactions during FY2015 to FY2018 are shown in Table 3 below:

Table 3 – Notes issued and utilised from FY2015 to FY2018

(S$'000)	FY2015	FY2016	FY2017	FY2018	Total
Amount of funds raised from the Notes issued	**7,500**	**14,000**	**2,500**	**2,000**	**26,000**
Utilised for the Selected Transactions:					
Loans to PT Hanjungin					
• Kupang Land project	1,500	3,500			5,000
• Road Project I		1,000			1,000
• Road Project II		900			900
• Dam Project		1,000			1,000
Joint investment with Yangtze Investment Partners		1,408			1,408
Convertible Loan with Revenue Anchor		1,009			1,009
Microalgae Project		2,500	1,808 (estimates)	1,035	5,343
Total funds utilised	**1,500**	**11,317**	**1,808**	**1,035**	**15,660**

As a result of the Notes Issue program and the share placement, the Company had issued a significant number of new Shares during the period amounting to, in total, 11.5 billion Shares.

This had an impact on the market Share price and market capitalisation of the Company as illustrated in the table below:

Table 4

	FY2014[(7)]	FY2015	FY2016	FY2017	FY2018
Last transacted Share price (S$)	0.85	0.046	0.002	0.001	0.001
Number of Shares outstanding as at 30 June	40,973,561	170,433,223	3,911,612,739	8,105,619,899	12,632,507,107
Market capitalization of the Company (S$' million)	34.83	7.84	7.82	8.11	12.63

Note:

(7) For comparison purposes, we have adjusted the relevant statistics retrospectively for FY2014 to take into account the 50-to-1 share consolidation exercise which became effective on 21 April 2015.

Latest financial results of the Group – 9MFY2019

Based on the Company's latest unaudited results announcement for 3QFY2019, the Group had reported net loss attributable to equity holders of the Company of S$1.31 million for 9MFY2019 and the NAV/NTA of the Group was S$23.59 million as at 31 March 2019. The Group does not have any intangible assets as at 31 March 2019.

The Group's main revenue and gross profit contributor is derived from the Mid-Continent group as its only business segment. However, after deducting expenses, the gross profit of S$2.1 million had become a net loss of S$1.2 million for 9MFY2019.

Of the NAV of the Group of S$23.6 million as at 31 March 2019, investment cost in the Microalgae Project constituted S$12.95 million, representing 54.9% of the NAV of the Group. Potential impairment on the investment cost in the Microalgae Project, which the Company is considering for FY2019, would have a material impact on the NAV of the Group.

While the Shares continue to be listed on Catalist of the SGX-ST, trading liquidity on the Shares is very low especially since mid-2018.

The Company is scheduled to announce its unaudited full year results for FY2019 by 30 August 2019.

Audit opinions on the Group's financial statements

The Group had reported losses for the last 6 financial years from FY2013 to FY2018. The External Auditor, Moore Stephens, had issued qualified opinions on the audited financial statements of the Group for FY2013 to FY2017 and had issued a true and fair opinion on the audited financial statements of the Group for FY2018. The audit opinion by Moore Stephens and the audited financial statements of the Group for FY2019 are scheduled to be issued by the Company by October 2019 for the purpose of the Company's forthcoming AGM to be held latest by end of October 2019.

1.4 Review of the Selected Transactions

We have carried out our review of the Selected Transactions based on the agreed scope of work as set out in our mandate letter, a summary of which is set out in paragraph 2.1 of the Cover Letter to this Report. The agreed scope of work has been confirmed with the then Audit Committee of the Company and cleared by the SGX RegCo.

A brief description of each of the Selected Transactions and the reference section in this Report where the detailed review is set out, are tabulated below for your reference:

Selected Transaction	Brief description	Amount recovered	Reference Section
Disposal of GCM shares	The disposal of 9 million listed GCM shares through the sale arrangement with Thames Capital in February 2017. The Company had invested in 9.4 million GCM shares in August 2013. GCM was listed on AIM and its main asset was the Phulbari Coalmine project in Bangladesh. The Company had arranged with Thames Capital the disposal of 9 million GCM shares in February 2017. The Company had recognised the transfer of the GCM shares in March and June 2017 as disposal but a substantial amount of the proceeds is still owing from Thames Capital as at the Review Date.	£605,000 out of £1,800,000	Section 4
A sum of S$300,000 recorded as fixed deposit	In January 2015, a sum of S$300,000, which was recorded as restricted fixed deposit, was placed under the name of an Independent Director, who acted as the surety for the release of Mr Luke Ho's passport. Mr Luke Ho was then assisting in the investigations by the CAD. The fixed deposit was released to the Company on 29 November 2018. The Independent Director was Ms Seet Chor Hoon.	Not applicable	Section 5
Loans to Indonesian contractors, PT Hanjungin	The Company had participated in several projects in Indonesia with PT Hanjungin in 2015/2016 through the extension of loans and working capital, namely the Kupang Land housing development project, Road Project I, Road Project II and the Dam Project. Road Project I, Road Project II and the Dam Project were subsequently terminated. The outstanding amounts owing from PT Hanjungin were consolidated into the Restructured Loan in August 2017 but this loan was eventually impaired in FY2018. The Kupang Land housing project appeared to be stalled due to weak sales, lack of funding and legal disputes. The Company is negotiating with PT Hanjungin on the settlement of the outstanding loan.	S$4 million out of S$10.9 million (excluding interest) was recovered and the balance amount was fully impaired	Section 6
Joint investment agreement with Yangtze Investment Partners	The Company had entered into a joint investment agreement with Yangtze Investment Partners in August 2015 to invest US$1 million (S$1.4 million) in a pre-IPO company that was engaged in the renewable energy sector and that was planning to be listed on the London Stock Exchange. The joint investment agreement was subsequently terminated and the amount invested was fully impaired in FY2016.	Fully impaired	Section 7
Purchase of Company vehicle for CEO	The Company had purchased a motor vehicle for Mr Luke Ho in September 2015. Mr Luke Ho was by then the most senior and key management personnel of the Company.	Not applicable	Section 8
Convertible loan with Revenue Anchor	Assignment of a convertible loan of £510,000 from Revenue Anchor to the Company in April 2016. Such convertible loan was convertible into 4.6 million new GCM shares at 11 pence per GCM share. The Company already has an investment in 9.4 million GCM shares in 2013 and the further potential investment in the GCM shares through the conversion of the above Convertible Loan would have increased the Company's equity interest from 15% to 20.8% of the enlarged issued share capital of GCM. In July 2018, the Company had accepted the transfer of 2.4 million GCM shares as full settlement of the Convertible Loan owed by Revenue Anchor and the Company had disposed of these GCM shares in the open market.	Made a profit of £23,263, but incurred an overall loss of S$71,203 due mainly to foreign exchange losses	Section 9
Microalgae Project	In June 2016, the Company embarked on the Microalgae Project and entered into the EPC Contract, O&M Agreement and Patent License Agreement with AFE/Mr Kim to build a microalgae plant to cultivate microalgae and to process them into microalgae oil as bio-	Outstanding	Section 10

Selected Transaction	Brief description	Amount recovered	Reference Section
	fuel. Total investment in the plant amounted to S$12.95 million (US$9.55 million) in FY2018, which represented about 75% of the total EPC contract cost of US$12.75 million. As at the Review Date, the Microalgae Plant could not commence production due to the contamination issues on the microalgae cultivation. The Company is assessing the need for impairment on its investment in the plant for FY2019.		
CEO and Director's loans to the Company	In April 2017, Mr Luke Ho (CEO) and Ms Seet Chor Hoon (Director) had extended unsecured loans to the Company for a total sum of S$650,000 at an interest rate of 10% per annum, which was used to partially finance the Microalgae Project. These loans were fully repaid to the CEO and Director on 31 December 2018.	Not applicable	Section 11

Our findings are based on our review of the Selected Transactions which were substantially completed as at 12 July 2019, being the Review Date.

For the purpose of our Review, our main point of contact with the Company is Mr Luke Ho (CEO), acting as the key Management of the Company and he had assisted us by providing clarification and explanations on various matters during the process of our review of the Selected Transactions. Mr Luke Ho, however, is not a Director of the Company. Mr Luke Ho has since 2014 been assisting the CAD in certain investigations and has not been charged with any offence.

The main Directors who have oversight of the Selected Transactions are as follows, and they are non-executive in function:

- Mr Kushairi Bin Zaidel, Chairman – is based in Malaysia
- Ms Seet Chor Hoon, Independent Director – is based in Singapore
- Mr Nick Ong, Non-Independent Non-Executive Director – is based in Singapore and is also the Company Secretary of the Company
- Mr John Ong, Independent Director and AC Chairman – is based in Malaysia. He had resigned on 30 June 2019.

Wherever appropriate, practicable and accessible, the Company had also facilitated our interviews with the relevant Directors and personnel outside the Company. These interviews were conducted after the Review Date following our findings and review of the Selected Transactions.

Where the parties have given us their consents, we have attached our interview notes with them in this Report. All, except one party, had given us their respective consents.

The interview notes with the relevant Directors and other personnel are attached as Appendix C to this Report.

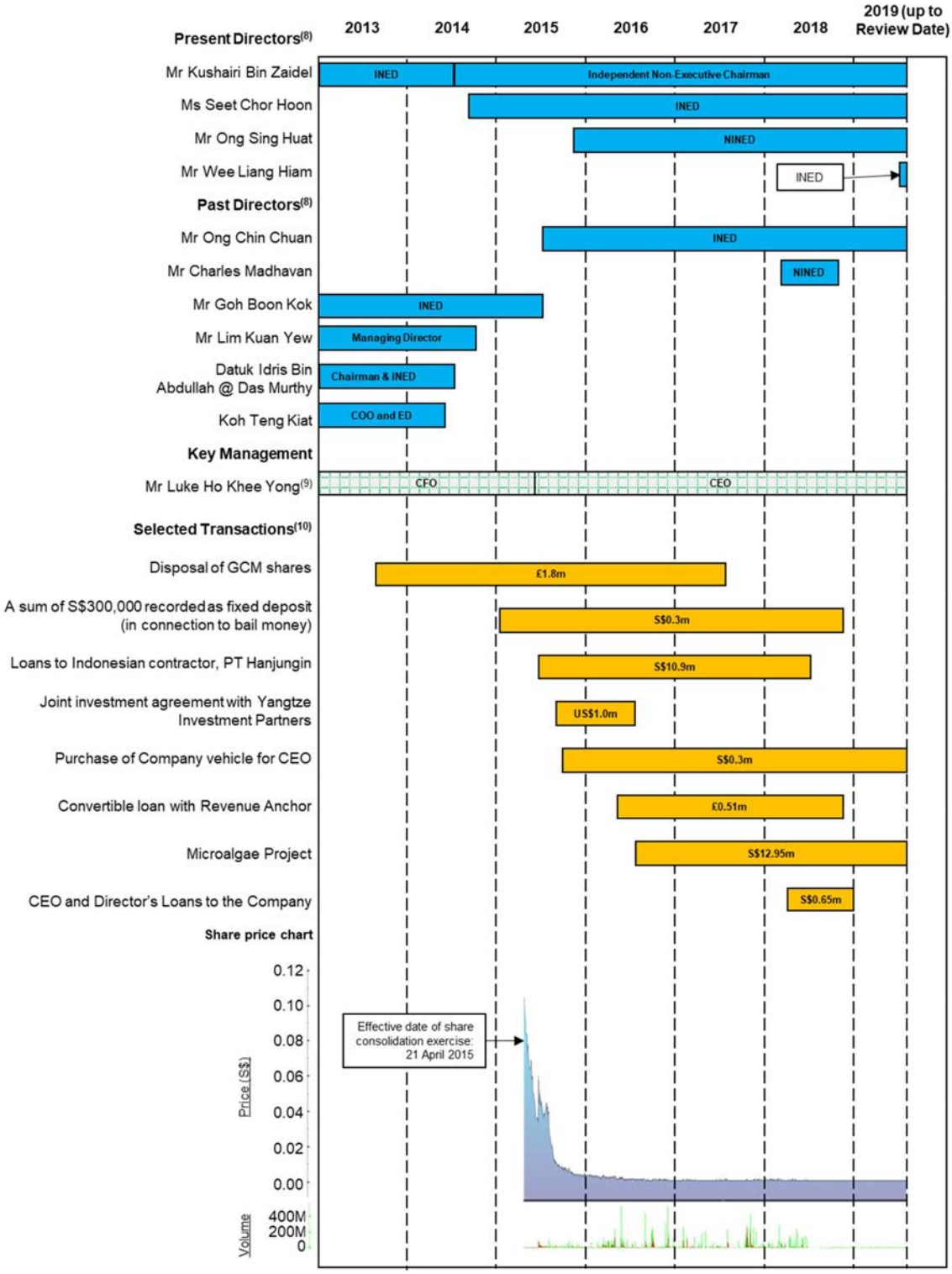
In addition, on an unsolicited basis, Mr Charles Madhavan had approached us to offer his assistance in our review of the Selected Transactions and held the view that it is crucial that we interview him in relation to these Selected Transactions. Further details of the interview with Mr Charles Madhavan are set out in Appendix D to this Report.

Where findings, information, comments, inferences and conclusions from these persons have been included in this Report, wherever reasonably practicable, these persons have been given the opportunity to comment on the said findings, information, comments, inferences and conclusions (i.e. "**Maxwellisation**"). Drafts of this Report have been given to the Directors for their comments prior to the finalisation of this Report.

1.5 Overview timeline chart

The Selected Transactions were undertaken at various times during the period from 2013 to 2017 and most of these Selected Transactions have been terminated by the Review Date, except for the Kupang Land project and the Microalgae Project which have not been terminated but the progress of these projects have been stalled. During this period, there were some changes to the composition of the Board. Since the share consolidation exercise which was effective on 21 April 2015, the market Share price had declined drastically from a peak of S$0.105 on 21 April 2015 to a low of S$0.001 currently (S$0.001 being the minimum trading price on the SGX-ST).

For ease of reference and as an overview, we have set out below the timeline over the last 6½ years since January 2013 to the Review Date (12 July 2019) showing the tenure of each of the Directors, the life span of each of the Selected Transactions and the market Share price performance during this period.



Notes:

(8) The profile of each of the Directors as extracted from the Company's annual reports is set out in Appendix A to this Report, except for Mr Wee Liang Hiam's profile which is extracted from TMC Education Corporation Limited (now known as Global Dragon Limited) where Mr Wee Liang Hiam was the Lead Independent Director and the AC Chairman;

(9) During his time as the CFO of the Company, Mr Luke Ho was also appointed as the interim COO on 1 July 2014 and interim CEO on 1 October 2014 before being appointed as the CEO of the Company on 2 June 2015; and

(10) The time span of each of the Selected Transactions commences from the earlier of the date of announcement, public disclosure of these projects by the Company or when the transaction was entered into, and deemed terminated when the Company terminates/impairs or dispose of the projects/investments, whichever is earlier.

The details of the tenure of the present and past Directors of the Company are set out below:

	Name	Designation	Appointment Date	Cessation Date
Present Directors				
1.	Mr Kushairi Bin Zaidel	Chairman and Independent Director	5 November 2012	-
2.	Ms Seet Chor Hoon	Independent Director	15 August 2014	-
3.	Mr Ong Sing Huat (Nick Ong)	Non-Independent Non-Executive Director	2 November 2015	-
4.	Mr Wee Liang Hiam	Independent Director	1 June 2019	-
Past Directors				
1.	Mr Ong Chin Chuan (John Ong)	Independent Director	30 June 2015	30 June 2019
2.	Mr Goh Boon Kok	Independent Director	1 June 2004	2 July 2015
3.	Mr Koh Teng Kiat	• Chief Operating Officer • Executive Director	7 September 2006 17 February 2005	30 May 2014
4.	Mr Lim Kuan Yew	Managing Director	17 March 2008	30 September 2014
5.	Datuk Idris Bin Abdullah @ Das Murthy	Chairman and Independent Director	23 May 2008	30 June 2014
6.	Mr Charles Madhavan	• Executive Managing Director • Non-Executive Director	2 April 2018 27 May 2018	26 May 2018 30 October 2018

1.6 This Report is prepared for the purpose of the Review and is addressed to the Board of Directors of the Company. As a term of our engagement, the Audit Committee of the Company or SGX RegCo may at their own discretion decide to publish certain portions or the whole of this Report. Notwithstanding the above, neither the Company, the Directors, any Shareholder nor any other party may reproduce, disseminate or quote this Report (or any part thereof) for any other purposes, at any time and in any manner, or use or rely on it for any other purposes without the prior written consent of Provenance Capital in each separate instance.

2. TERMS OF REFERENCE

Provenance Capital has been appointed as the Professional Firm by the Company to carry out the Review.

We are not and were not involved or responsible, in any aspect, in the negotiations in relation to any of the investments and M&A activities made or considered by the Company, nor were we involved in the deliberations leading up to any decision on the part of the Directors relating to the investments and M&A activities or to obtain any approval from Shareholders for any of the investments and M&A activities, and we do not, by this Report, warrant the merits of any of the Company's investments and M&A activities.

We are not experts/specialists in the respective industries in which the Company had made the relevant investments and conducted the M&A activities. In addition, we will not be in a position to comment on the terms of such investments and M&A activities or whether the Company should have invested in any alternative transactions previously considered by the Company (if any) or that may otherwise be available to the Company currently or in the future, and we have not made such evaluation or comment. Such evaluation or comment, if any, remains the responsibility of the Directors and/or the Management although we may draw upon the views of the Directors and/or the Management or make such comments in respect thereof (to the extent deemed necessary and appropriate by us) in arriving at our findings and recommendations as set out in this Report.

In the course of our evaluation, we have held discussions with the Directors and Management, relevant professional advisers and personnel (where appropriate, practicable and accessible) and have examined and relied on publicly available information collated by us as well as information provided and representations made to us, both written and verbal, by the Directors, the Management and other relevant personnel (where applicable). While we have made reasonable enquiries where practicable in respect of such information or representations, we have not independently verified such information or representations, whether written or verbal, and accordingly cannot and do not make any representation or warranty, express or implied, in respect of, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or representations.

Mr Luke Ho (as the key Management) have confirmed that, having made all reasonable enquiries and to the best of his knowledge and belief, information and representations are true, complete and accurate and there is no other information or fact, the omission of which would cause any information an representation provided to us to be inaccurate, incomplete or misleading in any material aspect. Mr Luke Ho has also confirmed that upon making all reasonable enquiries and to his best knowledge and belief, all material information available in connection with the Review, the Company, the Group and/or the Selected Transactions have been disclosed to us, that such information is true, complete and accurate in all material respects and that there is no other information or fact, the omission of which would cause any information disclosed to us in relation to the Review, the Company, the Group and/or the Selected Transactions stated in this Report to be inaccurate, incomplete or misleading in any material respect. As such, Mr Luke Ho has accepted full responsibility for such information described herein.

Save for Mr Wee Liang Hiam who was not involved in any of the Selected Transactions as he was only appointed as Director on 1 June 2019, the Directors have confirmed that, having made all reasonable enquiries on the Selected Transactions as represented and provided by Management to them, to the best of their respective knowledge and belief, such information and representations provided are complete and accurate and there is no other information or fact, the omission of which would cause any information an representation provided to us to be inaccurate, incomplete or misleading in any material aspect. Each of the Directors accept full responsibility for the information that has been disclosed via public announcements and such information herein that has been obtained from public announcements and provided to Provenance Capital in their respective capacities.

We have not independently verified and have assumed that all statements of fact, belief, opinion and intention made by the Directors and Mr Luke Ho in this Report have been reasonably made after due and careful enquiry. Whilst care has been exercised in reviewing the information on which we have relied on, we have not independently verified the information.

Save as disclosed, we would like to highlight that all information relating to the Company, the Group and the Selected Transactions, that we have relied upon in arriving at our findings or recommendation on the Company's existing processes and internal controls with respect to its investment and M&A activities, has been obtained from publicly available information and/or from the Directors and Management, relevant professional advisors and personnel. We have not independently assessed and do not warrant or accept any responsibility as to whether the aforesaid information adequately represents a true and fair position of the financial, operational and business affairs of the Company, the Group and/or the Selected Transactions at any time or as at 12 July 2019, being the Review Date referred to in this Report. Where information has been extracted from websites, we have not sought the consent of the relevant owner, nor has the relevant owner provided their consent to the inclusion of such information in the context of this Report. No representations or warranties are made as to the truth, accuracy, or completeness of such information, and we assume no responsibility to update, revise or reaffirm our Report to reflect any updates or changes to any such information on the relevant websites.

Our findings and recommendations as set out in this Report is based on market, industry, regulatory and other conditions (if applicable) prevailing as at the Review Date and the information and representations provided to us as at the Review Date. We assume no responsibility to update, revise or reaffirm our Report in light of any subsequent development after the Review Date that may affect the information, our findings and recommendations contained herein.

The scope of our appointment does not require us to conduct a comprehensive independent review of the business, operations or financial condition of the Company, the Group, the Selected Transactions or to express, and we do not express, any view on the future growth prospects, value and earnings potential of the Company, the Group and/or the Selected Transactions. Such review or comment, if any, remains the responsibility of the Directors and the Management, although we may draw upon their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our findings or recommendations as set out in this Report. We have not obtained from the Company and/or the Group any projection of the future performance including financial performance of the Company, the Group and/or the Selected Transactions, and we did not conduct discussions with the Directors and the Management on, and did not have access to, any business plan and financial projections of the Company, the Group and/or the Selected Transactions. In addition, we are not expressing any view as to the prices at which the Shares may trade or the future value, financial performance or condition of the Company and/or the Group, upon or after completion of the Review.

We have not made an independent evaluation or appraisal of the assets and liabilities of the Company, the Group or the Selected Transactions (including without limitation, investment properties). As such, we will be relying on the disclosures and representations made by the Company on the value of the assets and liabilities, profitability of the Company, the Group and the Selected Transactions. We have not been furnished with any such evaluation or appraisal.

As a term of our engagement, the Audit Committee or SGX RegCo may at their discretion decide to publish certain portions or the whole of the Report on the SGXNET. Notwithstanding the above, neither the Company, the Directors, any Shareholder nor any other party may reproduce, disseminate or quote this Report (or any part thereof) for any other purposes, at any time and in any manner, or use or rely on it for any other purposes without the prior written consent of Provenance Capital in each separate instance.

3. SCOPE OF THE REVIEW

3.1 The focus of this Report is on the review of the Group's existing processes and internal controls relating to the Company's acquisitions and investments (including loans and advances) in businesses, in particular, the Selected Transactions. The scope of our Review includes, *inter alia*, the following:

(a) Whether the Company has an existing process and internal controls with respect to its investment and M&A activities (including but not limited to, evaluation, approval, agreements, payment terms, approval of payments, recording, reporting of and follow up of proposed acquisitions/investments (including advances and loans)) which are in line with relevant regulatory requirements, including the Catalist Rules and CG Code, and whether they are sufficiently robust based on best practices to ensure proper and good corporate governance;

(b) Review the Selected Transactions and assess how the investment procedures for the Selected Transactions compare with the Company's existing investment and M&A activities processes and against best practices set out in the CG Code, ABS Guidelines and requirements under the Catalist Rules. Where relevant, to also review the flow of funds in the bank accounts of the Company in relation to the Selected Transactions;

(c) The extent of the due diligence, review and approval process undertaken by the Directors and Management for each of the Selected Transactions;

(d) Assess whether there was periodic review and follow-up reporting on the status of the Selected Transactions subsequent to the Company's entry into these transactions. Where there have been adverse developments, assess how the Company had dealt with these developments, whether timely announcements were made on the progress of the Selected Transactions, and where applicable, whether post mortem analyses were conducted;

(e) Highlight any non-compliance, significant or unusual deviations with requirements or guidelines under the constitution of the Company, CG Code, ABS Guidelines and Catalist Rules, and any conflict of interest;

(f) Whether members of the Board had adhered to their legal and fiduciary obligations and Company's policies and procedures;

(g) Whether the failures or impairment of any of the investments could have been avoided through the improvements in internal controls or processes and where there have been failures or weaknesses noted in relation to the Selected Transactions, to quantify the impact on the Company's financials if they have not already been impaired, and, if possible, to identify the parties responsible for such failures or weaknesses; and

(h) Highlight any other material matters in our Review which may require further reviews or investigations.

3.2 In addition to complying with the Catalist Rules, the Company is encouraged to comply with the guidelines set out in the CG Code and the ABS Guidelines.

The ABS Guidelines which are published by the Association of Banks in Singapore are recommended guidelines on due diligence procedures required of issue managers and sponsors in connection with the offering of securities of certain companies seeking a listing on the SGX-ST and/or a reverse takeover of an existing SGX-ST listed company.

Notwithstanding the above, the general principles and recommended procedures of the ABS Guidelines provide best practices that Management and Directors of the Company can adopt and adapt to different circumstances when carrying out due diligence work on its investments in businesses and joint ventures.

The general principles of the due diligence guidelines cover the following 4 areas:

(a) a structured and documented process;
(b) checks and verifications;
(c) overall control of the due diligence process; and
(d) the appointment of and reliance on advisers and experts.

The recommended procedures set out specific inquiries that cover 3 broad aspects of due diligence:

(i) management, directors and Controlling Shareholders of the company;
(ii) business of the company; and
(iii) opinion of an expert, including audited financial statements and/or valuation report.

3.3 Our approach to the Review

We note that the Company has the following policies which are relevant to the Selected Transactions: (a) Enterprise Risk Management Policy; (b) Corporate Disclosure Operation & Policy and (c) Investment Policy. However, we note that the policies in relation to Corporate Disclosures and Investment are relatively brief and the policies in relation to Enterprise Risk Management are not tailored to the Company. The Company also does not have procedures on how risk should be managed or addressed when the Company/Management is considering a proposed investment.

Hence, we have carried out our Review in the following manner:

Our review

Firstly, by carrying out a detailed review of each of the Selected Transactions. Our detailed review of each of the Selected Transactions are based on, *inter alia*:

(a) publicly available information, disclosures and announcements by the Company on the Selected Transactions;

(b) our independent findings and research, where applicable; and

(c) Board and AC minutes, certain email correspondences, letters, legal documents, payment vouchers, remittances, accounting records, clarifications and explanations by the Management and the relevant Directors.

The detailed write-ups of our review and findings of each of these Selected Transactions are set out in Sections 4 to 11 of this Report. These write-ups also set out our proposed interview questions with the various parties.

Our interviews

Secondly, following from our review, we have conducted interviews with the following parties based on our proposed interview questions and other additional queries which may arise during the course of our interviews:

- the relevant Directors who have oversight of the Selected Transactions; and
- other personnel including, *inter alia*, External Auditors, Sponsor, Mr Kim and a former partner of a law firm.

With regard to Mr Charles Madhavan, Mr Charles Madhavan had on his own accord requested to be interviewed by us as he was of the opinion that he could offer his assistance in our review of the Selected Transactions and other matters. We have therefore also conducted the interview with Mr Charles Madhavan following the completion of our interviews with the relevant Directors and other personnel.

Our interview notes are set out in Appendices C and D to this Report.

Our recommendations

Pursuant to our review of each of the Selected Transactions, we have identified various weaknesses and shortfalls pertaining to each of these Selected Transactions and have also made recommendations for the Company's consideration to be adopted or incorporated into their relevant policies going forward. These recommendations are set out in the detailed write-up of each of the Selected Transactions in Sections 4 to 11 of this Report. A summary of our recommendations is set out in paragraph 3.1 of the Cover Letter of this Report.

In addition, following our interviews with the various parties, we have made certain observations which we have set out in paragraph 3.2 of the Cover Letter of this Report.

Review of the Company's existing policies

We had reviewed the Company's existing policies and highlight some of the shortfalls of these policies in Section 12 of this Report. As these policies are relatively brief or are not tailored for practical implementation when the Company is evaluating or carrying out a proposed investment, the Company might not have gone through a vigorous process and internal control procedures before embarking on several of the Selected Transactions. In addition, we note that the Company is thinly staffed and does not have the relevant resources and skill sets to carry out and monitor these investments which are in different industries, ranging from mining, property and infrastructure development, to microalgae farming.

We would therefore recommend the Company to appoint a professional adviser to re-look and re-work on improving and expanding the Company's existing policies with respect to its investments and M&A activities. The Company should also consider recruiting relevant suitably qualified and experienced staff to beef up its management team.

3.4 It should be noted that the detailed write-ups of the Selected Transactions, our interview notes, our review of the Company's existing policies and our recommendations should be read in conjunction with and in the context of the entirety of this Report.

4. DISPOSAL OF GCM SHARES

4.1 Overview

4.1.1 On 30 August 2013, the Company announced that MEG Global Ventures Pte Ltd ("**MGV**"), a wholly owned subsidiary of the Company, had on 28 August 2013, entered into a subscription agreement with GCM Resources Limited* ("**GCM**"), to subscribe for 9,427,280 new GCM shares at the issue price of £0.198 per GCM share. The total subscription price of £1,866,601.44 (S$3,702,124 based on the exchange rate of £1:S$1.98335) was satisfied in cash.

* *The Company acknowledged the typographical error in all references to the name of GCM Resources Limited, which should be GCM Resources plc.*

In the above announcement, the Company had described GCM as a mining company listed on the London Alternative Investment Market ("**AIM**") with its major asset being the coalmine located in the Phulbari region of Dinajpur District, Bangladesh ("**Phulbari Coalmine**") which has an estimated reserve of 572 million tonnes of high-quality bituminous coal, and that GCM was in the process of applying for regulatory permits to commence production in the Phulbari Coalmine.

At the time of the subscription agreement, the Company was aware that GCM was being investigated by UK National Contact Point, a United Kingdom government authority for allegations that GCM had violated the Organisation for Economic Cooperation and Development (OECD) guidelines in connection with the Phulbari Coalmine.

The issue price of £0.198 per GCM share represents a discount of 19.18% to the closing price of £0.245 per GCM share on AIM on 28 August 2013, being the date of the subscription agreement.

Notwithstanding that GCM was loss making for the financial year ended 30 June 2012 and certain allegations made against GCM as stated above, the Directors were of the view that subscription of the GCM shares represents a good long-term investment opportunity for the Company, taking into account the prospects of the Phulbari Coalmine and the trading price of the GCM shares for the 8 months prior to the subscription agreement.

The Company also disclosed that it will not be appointing any director to the board of GCM in connection with the subscription of the GCM shares.

The subscription of the GCM shares represents 15% of the enlarged issued share capital of GCM following the placement of 9,427,280 GCM shares to MGV and 2,272,727 GCM shares to its existing substantial shareholder, Polo Resources Limited ("**Polo Resources**"). Post placement, Polo Resources would own 27.8% of the enlarged share capital of GCM.

The market capitalization of GCM and Polo Resources Limited as at 28 August 2013 were £12.5 million (S$24.8 million) and £60.7 million (S$120.0 million) respectively. In comparison, the then market capitalization of the Company was S$79.9 million. The total subscription price for the GCM share of S$3.7 million represented 4.6% of the market capitalization of the Company then.

At the time of entering into the subscription agreement with GCM on 28 August 2013, the latest publicly available NAV of the Group was S$81.2 million. The total subscription price of S$3.7 million represented 4.6% of the NAV of the Group.

4.1.2 Prior to entering into the subscription agreement, Management had prepared a board paper on the proposed investment in GCM and obtained the approval of the Board on 27 August 2013. The investment in GCM was to be undertaken by a new wholly-owned subsidiary to be incorporated, i.e. MGV, as the special purpose vehicle for the investment. It was also noted in the Directors' resolution that the GCM shares will be subject to a 6 months' moratorium period.

In the board paper, it was stated that Management had considered the substantial risks surrounding the development of the Phulbari Coalmine and was confident that the substantial shareholders of GCM and the new board of GCM might be able to obtain the relevant approvals

from the Bangladeshi government. Management was of the view that the valuation of GCM was extremely low and present an excellent opportunity for the Company to invest in GCM for the long term.

The new board of GCM was headed by Mr Michael Tang, who was the executive co-chairman and managing director of Polo Resources, a Canadian investment fund. Mr Michael Tang was described in the board paper as the principal of Malaysian-based Mettiz Capital Limited ("**Mettiz**"), an investment company with significant corporate and financial experience in natural resources, power generation, manufacturing and real estate. GCM had appointed Mettiz as the lobbyist in Bangladesh to get the government approval for the commercial exploration for the Phulbari Coalmine.

The subscription agreement for the GCM shares with MGV dated 28 August 2013 was conditional upon, *inter alia*, MGV entering into a lock-in and orderly marketing agreement regulating the disposal of the GCM shares in the next 6 months. The lock-in deed was dated 29 August 2013. In brief, the lock-in deed had imposed a 6 months' moratorium period on the GCM shares during the first restricted period, and a second restricted period, commencing from the first anniversary date of the listing of those GCM shares and ending on the termination date of the deed, where the GCM shares should only be disposed of through GCM's brokers and in an orderly manner. The deed would terminate when MGV holds less than 10% of the prevailing total issued GCM shares.

We note that:

(a) MGV was only incorporated on 29 August 2013 and could not have validly entered into the subscription agreement with GCM on 28 August 2013 as announced by the Company;

(b) The Company did not disclose that the subscription agreement was conditional upon it entering into the lock-in deed, the relevant details of the 6 months' moratorium period and the restrictions on the disposal of the GCM shares in the second restricted period;

(c) The Company did not disclose relevant description of its investment in GCM, how its percentage shareholding interest in GCM was determined (other than a header "**Subscription of 15% of GCM**" above the table showing the relative figures under Chapter 10 of the Catalist Rules), the existing substantial shareholders and their shareholding interests in GCM, the directors of GCM and their respective interests in GCM, all or part of which could have been the supporting reasons for the Company to invest in GCM; and

(d) Despite the Company holding a 15% interest in the enlarged share capital of GCM which would rank it as the 2nd largest GCM shareholder after Polo Resources, the Company did not explain the rationale for its decision not to seek a board representation on GCM.

The Company acknowledged the above and commented that notwithstanding our comment made in point (a) above, MGV was the registered holder of those GCM shares. The Company also acknowledged that it should have disclosed the reason for not seeking board representation on GCM at the time of the announcement, that the reason was because the Phulbari Coalmine project had not commenced production yet.

4.1.3 On 28 April 2016, the Company made a further indirect investment in GCM through the investment of a convertible loan of £510,000 with Revenue Anchor, which the Company had believed would ultimately give it an increased shareholding interest in GCM and at a lower average cost of investment in the GCM shares. In July 2018, the Company had accepted the relevant GCM shares from Revenue Anchor as full settlement of the above loan and in November 2018, the Company had disposed of the relevant GCM shares. Details of the above convertible loan with Revenue Anchor are set out in Section 9 of this Report.

4.1.4 Towards the end of 2016, the price of GCM shares had started to recover from a low of 3.6 pence to above the Company's purchase price of £0.198 per GCM share. At the same time, the

Company also needed to raise funds to fund its Microalgae Project and to provide working capital in general. Hence, the Company had decided to dispose of its GCM shares.

Between 2 February 2017 and 8 February 2017, the Company had, through GCM's nominated broker, disposed of, in total, 427,280 GCM shares in the open market at prices of between £0.29 and £0.35 each and at the average selling price of £0.3255 per GCM share, leaving the balance of 9 million GCM shares.

On 2 February 2017, Management obtained board approval to dispose of all its 9 million GCM shares to Thames Capital Partners LLC ("**Thames Capital**") for a total consideration of £1.8 million based on 20 pence for each GCM share.

On 8 March 2017, the Company announced that it had disposed of 5.46% of its shareholdings in GCM and the Group's shareholding interest in GCM has fallen to 9.54%.

On 21 June 2017, the Company announced that it had disposed of all its shareholdings in a quoted company on 20 June 2017, the name of the quoted company was not mentioned in its announcement. The Company clarified to us that the quoted company refers to GCM.

The sale of the 9 million GCM shares was done via a block sale arrangement with Thames Capital by way of a letter from Thames Capital Partners LLC dated 22 February 2017 and counter-signed as confirmed by the Company.

Based on our public searches from the UK Registrar of Companies, we could not find Thames Capital Partners LLC but found Thames Capital Partners Limited, which is a private limited company incorporated in England and Wales on 23 May 2018 with a paid up capital of £1 comprising one share, with Mr Clive Darby, a British national, as the Director, and Mr Patric Lim, a British national, as the sole shareholder. The business activity of Thames Capital was not stated in the public search.

The Company thought that Thames Capital is a London-based trading firm. The Company is unaware if Thames Capital Partners LLC is the same as Thames Capital Partners Limited and that the latter was incorporated in 2018 after the sale arrangement was signed, but it had been dealing with the same Mr Clive Darby and Mr Patric Lim.

The Company had dealt with Mr Patric Lim earlier in 2015 in another Selected Transaction, namely "Joint investment agreement with Yangtze Investment Partners". Mr Patric Lim is a director of Yangtze Investment Partners. As set out in Section 4.2.1(vi) below, on 20 August 2015, the Company had entered into a joint investment agreement with Yangtze Investment Partners for US$1.0 million to invest in a pre-IPO company with a guaranteed initial return of 20%. The joint investment agreement was terminated on 31 May 2017. The Company had provided full impairment of the amount invested of US$1.0 million (S$1.4 million) from Yangtze Investment Partners in FY2016. The Company intends to take legal action against Yangtze Investment Partners for the outstanding amount that it owed to the Company, comprising the investment amount of US$1.0 million, together with a 20% profit guarantee.

Thus far, the Company was unable to get a confirmation from Thames Capital on whether the sale of the entire 9 million GCM shares was in fact completed at the total consideration of £1.8 million. In summary, the Company was paid a deposit of £180,000 and further cash payments aggregating £425,000 over a period of time from 5 July 2017 to 31 May 2018, totaling £605,000 out of £1.8 million.

It throws into question of whether the 9 million GCM shares were indeed sold as announced by the Company on 8 March 2017 and 21 June 2017. The Company's announcements were made pursuant to Rule 704(17)(b) of the Catalist Rules in respect of the portfolio of quoted investments, therefore the relevant details on the disposal of the GCM shares were not clear in the announcement, in particular, the number of GCM shares that was sold and the balance remaining, the original cost of investment in £ per GCM share and the foreign exchange rate

used to determine the S$ equivalent amount, the disposal price per GCM share in £ and the foreign exchange rate used to determine the S$ equivalent amount.

The net sales value of the 3 million GCM shares was recognized by the Company at 20 pence each (less commission), totaling approximately £0.6 million (at S$ equivalent of S$1.01 million) and the net sales value of the 6 million GCM shares was also recognized by the Company at 20 pence each (less commission), totaling approximately £1.2 million (at S$ equivalent of S$2.11 million).

4.1.5 Block sale arrangement with Thames Capital

The Company had entered into a letter agreement with Thames Capital dated 22 February 2017 entitled "**Block Sale of 9,000,000 GCM shares for value of £1,800,000**" to transfer the 9 million GCM shares to Thames Capital's trading accounts or such other nominee accounts as instructed and settlement will be made in due course.

On 9 March 2017, Thames Capital confirmed the mutual agreement with the Company of a 10% down payment of £180,000; that due to the lock-in agreement with GCM, Thames Capital had arranged a market trade of 3 million GCM shares at 25 pence per GCM share and had duly paid the trade proceeds to the Company; and the Company was to refund the balance after deducting £180,000 to the account of Mr Patric Lim Hong Koon.

On 22 June 2017, Thames Capital confirmed to the Company that the 9 million GCM shares were held in trust for the Company until such time when MGV requests for the return of the GCM shares or when all the GCM shares have been sold and proceeds from the sale are paid to MGV, where upon the trade arrangement between the Company and Thames Capital will be deemed terminated.

Management explained the details of the sale arrangement with Thames Capital as follows:

(a) for transferring the GCM shares to Thames Capital, Thames Capital will pay to the Company a deposit, equivalent to 10% of the agreed aggregate consideration of £1.8 million, i.e. £180,000. This deposit was not paid to the Company as yet on 22 February 2017;

(b) because of the lock-in deed that specifies the GCM shares can only be sold through GCM's nominated broker during the second restricted period, in order not to be constrained by the lock-in deed, the Company must reduce its shareholding interest in GCM to below 10%. Hence, Thames Capital had arranged for 3 million GCM shares to be sold in the market on 8 March 2017 via the nominated broker at 25 pence each, which brought the Company's shareholding interest in GCM down to 9.54%. The proceeds of such sale were paid to the Company. As the Company had transferred the 3 million GCM shares to the accounts according to the instructions of Thames Capital, the Company had treated and recognised in its financial statements as a disposal of the 3 million GCM shares at 20 pence based on the sale arrangement with Thames Capital, and not at 25 pence each;

(c) however, pursuant to the sale arrangement with Thames Capital, Thames Capital did not treat such sale of 3 million GCM shares as the Company's disposal of those shares and thus had requested for the refund of the sales proceeds less the deposit of £180,000 which Thames Capital had yet to pay the Company. The monies were transferred to Mr Patric Lim Hong Koon's bank account with Standard Chartered Bank in Hong Kong at the instructions of Thames Capital;

(d) on 20 June 2017, the Company had transferred the remaining 6 million GCM shares to a Mr Ciaran McNamee, at the instructions of Thames Capital. GCM also announced Mr Ciaran McNamee as a substantial shareholder of GCM holding 6 million GCM shares. As the Company had transferred its remaining 6 million GCM shares, the Company announced the disposal of its remaining interest in GCM on 21 June 2017. The Company also recognised in its financial statements the disposal of the 6 million GCM shares at 20

pence based on the sale arrangement with Thames Capital. Here again, Thames Capital did not treat such sale of 6 million GCM shares as the Company's disposal of those shares and no payment was made to the Company then. The Company went on to record the outstanding from the sale of the 6 million GCM shares as well as the balance of the sale of the 3 million GCM shares, totalling £1.62 million in S$ equivalent as other receivable owing from a third party. The Company did not consult anyone regarding the recognition of the transfer of 9 million GCM shares to Thames Capital as a disposal;

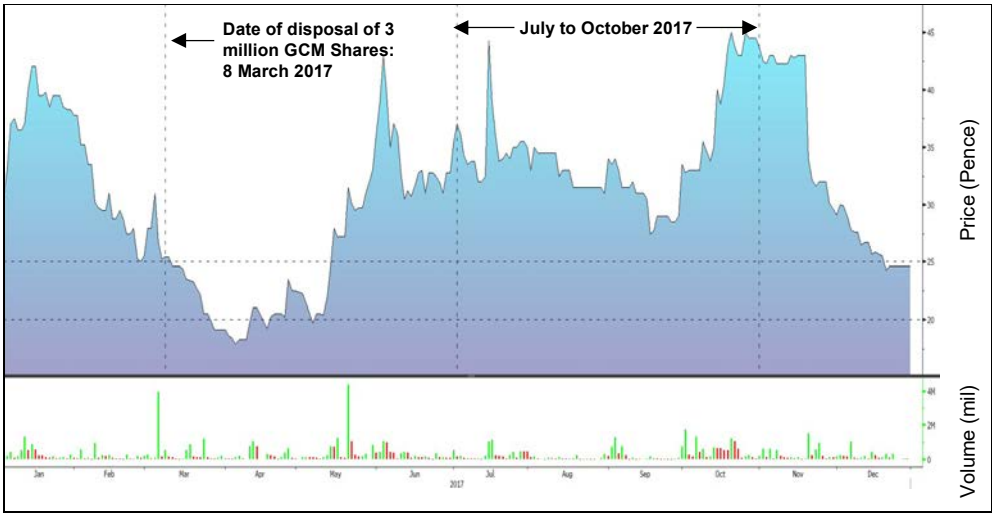
(e) On 5 July 2017 and 26 September 2017, monies totalling £100,000 were remitted from Mr Patric Lim Hong Koon to the Company, and on 2 August 2017, 8 August 2017, 6 September 2017, 8 September 2017, 5 October 2017, 11 October 2017 and 31 May 2018, monies totalling £325,000 were remitted from Mr Ciaran McNamee to the Company. Total cash collected was £425,000 and recognised as partial proceeds from Thames Capital;

On 9 October 2017, GCM announced that it became aware that Mr Ciaran McNamee ceased to be a significant shareholder of GCM as his shareholding interest in GCM had dropped to below 3%.

It is difficult to tell from the above how many GCM shares were arranged to be sold by Thames Capital and at what price per GCM share. The Company had requested for a statement of the stock trading from Thames Capital, but thus far, Thames Capital had not responded to the Company with the statement.

As a reference, the 1-year GCM share price from 1 January to 31 December 2017 is shown in Chart 1 below:

Chart 1 – 1 year GCM share price chart from 1 January to 31 December 2017

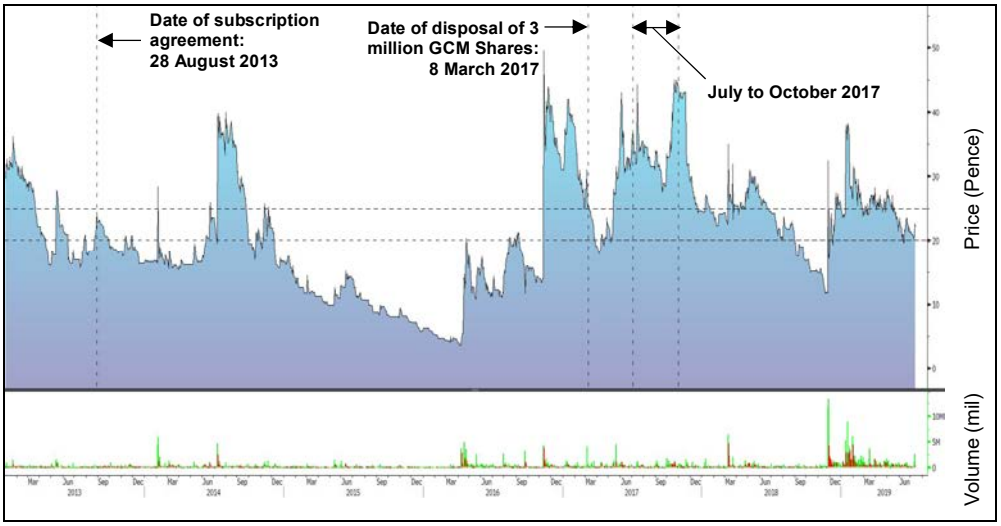


Source: *Bloomberg L.P.*

As can be seen from the price chart above, GCM share price performance had been volatile. After the disposal of the 3 million GCM shares in the market at 25 pence per share, GCM share price had dropped to below 20 pence, but rebounded to trade above 25 pence and up to 45 pence between July and October 2017, around the time when monies were remitted to the Company from Mr Patric Lim Hong Koon and Mr Ciaran McNamee.

Overall, since the Company's investment in GCM at around 20 pence for each GCM share in August 2013, the GCM share prices had been volatile and as at Review Date, the GCM shares were trading at close to 20 pence, as observed in Chart 2 below, which shows the GCM share price performance from 1 January 2013 to the Review Date.

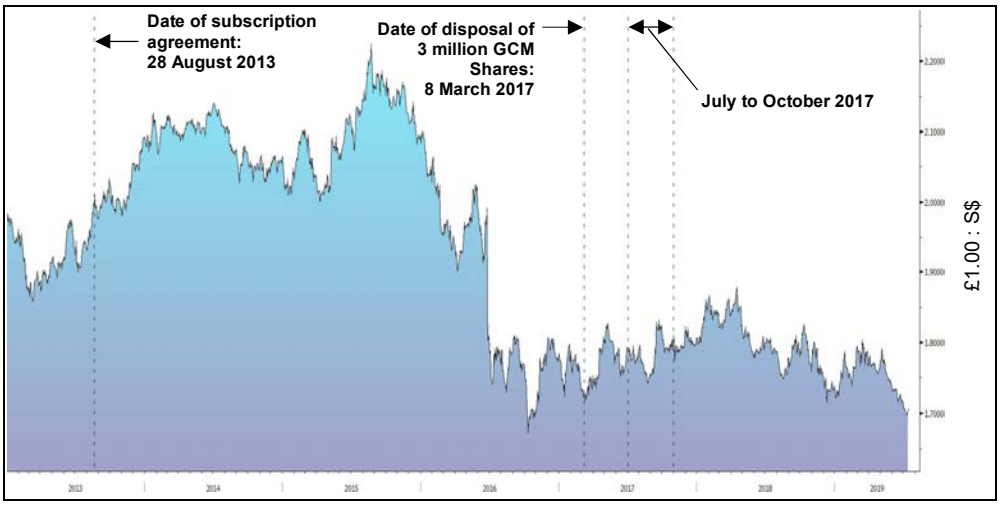
Chart 2 – GCM share price chart from 1 January 2013 to the Review Date



Source: *Bloomberg L.P.*

Over the same period, the exchange rate of £ vs S$ had weakened, resulting in the recognition of foreign exchange losses at various reporting dates of the Company. The exchange rate of £ vs S$ for the period from 1 January 2013 to the Review Date is shown below in Chart 3 for your reference:

Chart 3 – Foreign exchange rate between £ and S$ from 1 January 2013 to the Review Date



Source: *Bloomberg L.P.*

4.1.6 As at 30 June 2018, based on the latest audited financial statements of the Group for FY2018, the Group had recognized the disposal of the 9 million GCM shares for approximately S$3.1 million (based on 20 pence each), of which S$2,136,660 remained outstanding and the Company had disclosed that it expects to recover this balance by 30 June 2019.

We understand from the Company that its auditors, Moore Stephens, had received audit confirmation from Thames Capital on the outstanding amount of receivables owed to the Company as at 30 June 2017 and 30 June 2018.

As at the Review Date, the Company confirmed that Thames Capital had not repaid the amount owing to the Company.

The Company had explained that on a worst case scenario if the outstanding receivables are not collectible, and based on the cash collected by the Company to-date of £605,000, the 9 million GCM shares is equivalent to a disposal price at £0.067 each compared to its original cost of investment at £0.198 each.

However, we note that the sale arrangement with Thames Capital has not been formally terminated and does not appear to have been terminated based on the letter from Thames Capital dated 22 June 2017. In addition, based on the email correspondences between the Company and Thames Capital, there may be cost, fees and losses to be borne by the Company according to Thames Capital, and is not determinable at this point in time due to the absence of an update from Thames Capital.

4.2 Company's responses to SGX-ST's and Sponsor's queries on 12 October 2018

4.2.1 The Company had on 12 October 2018 responded to SGX-ST's and Sponsor's queries on various matters including the "Disposal of Securities/Quoted Equities". We note that the queries and responses were mainly in relation to the disposal of the GCM shares and which had resulted in a significant amount of outstanding receivable owing from a third party as at 30 June 2018.

Our review of these responses based on our findings as set out in Section 4.1 above and our understanding from Management are set out below:

(i) Company's response to query 19. For open market disposal of the 427,280 GCM shares, the Company had carried out the sale through GCM nominated brokers pursuant to the terms of the lock-in deed. For the 9 million GCM shares, the Company had engaged Thames Capital for the block sale, as a block sale of such number of GCM shares would drive the price down significantly due to the trading illiquidity of the GCM shares. Management had considered 2 other proposals and found Thames Capital the least onerous, the deliberations of the 3 proposals were, however, not minuted in the AC or Board meetings.

The Company did not engage a lawyer or any adviser to advise on the sale arrangement with Thames Capital, or carry out any due diligence checks on Thames Capital.

(ii) Company's response to query 20. The Company confirmed that it had completely sold its GCM shares in 2 batches as announced on 8 March 2017 and 21 June 2017. However, based on our findings in Section 4.1.4 of this Report, it is doubtful if the transfer of the GCM shares are deemed disposals by the Company in view of the sale arrangement with Thames Capital.

(iii) Company's response to query 21. The Company actually acknowledged that the payment to the Company will be made as and when the GCM shares are sold. This reaffirms the situation that the GCM shares had not been completely sold.

(iv) Company's response to query 22. As mentioned in Section 4.1.5 above, Thames Capital letter of 22 June 2017 has stated clearly that they are holding the 9 million GCM shares in trust for the Company and the GCM shares will be returned to the Company at its request unless sold and proceeds paid to the Company, whereupon the sale arrangement with Thames Capital will be deemed terminated. Hence, the Company's responses justifying its actions to account for the sale and gains or losses on disposal of the 9 million GCM shares were inaccurate. In addition, the Company acknowledged that it gave instruction to the trader to trade slowly to obtain the best possible outcome as the block sale of its GCM shares would be difficult in the open market. In other words, the transfer of the 9 million GCM shares in 2 batches does not tantamount to a disposal of GCM shares by the Company but a transfer to Thames Capital held on trust to facilitate Thames Capital's onward disposals of the GCM shares at an unspecified appropriate time.

(v) Company's response to query 23. The Company had stated that there are no other terms or agreement with the trading firm but acknowledged a held in trust letter, which therefore contradicts the statement by the Company that the GCM shares were confirmed sold. The Company proceeded to record the transfer of the GCM shares as sold and the amount owing from the trading firm as receivable. To cast further confusion, the Company had stated that "*For the avoidance of doubt, the sale is not finalized yet as the disposal of securities is still ongoing and the numbers have not impacted the Profit & Loss Statement as yet*." Hence, taken in totally, the GCM shares were indeed not completely sold and the gain or loss on disposal of the GCM shares has not been finalised yet, consistent with our findings in Section 4.1.6 above.

(vi) Company's response to query 24. The Company confirmed that the shareholders and directors of the trading firm are not related to and in any way interested in the Group, its management, shareholders and directors.

Aside to the above, we found that Mr Patric Lim who is the sole shareholder of Thames Capital, supposedly the trading firm referred to by the Company, is also a director of Yangtze Investment Partners. The Company had invested US$1.0 million (then equivalent to S$1.4 million) in August 2015 in a joint investment with Yangtze Investment Partners for a potential initial public offering of a renewable energy company. The investment amount was eventually fully impaired as at 30 June 2016 and the joint investment agreement with Yangtze Investment Partners was terminated on 31 May 2017. Although the Company held the understanding that the investment amount of US$1.0 million, together with a 20% profit guarantee was guaranteed by Yangtze Investment Partners, the amount had remained unpaid. Further details on the "Joint investment agreement with Yangtze Investment Partners" are set out in Section 7 of this Report.

In addition, we are unable to identify Thames Capital Partners LLC or Thames Capital Partner Limited on the website of AIM as an approved AIM nomad or broker which has the licence to provide advisory services or trade the GCM shares in the open market on AIM. Further, the letter from Thames Capital dated 22 June 2017 is a simple letter and does not provide sufficient information for redress or rights of parties in the event of any breaches of the trust arrangement. There are also no stated terms to determine cost, fees or losses which may be borne by the Company.

(vii) Company's response to query 25. The Company had responded that no sale and purchase agreement is required for the trading of the GCM shares in the open market. However, the Company had not intended for the sale of the 9 million GCM shares to be done directly in the open market. This was also the Company's rationale to have the sale arrangement with Thames Capital, and not a trade sale order with a GCM nominated broker.

As mentioned above, the Company did not engage a lawyer or adviser to advise on the sale arrangement with Thames Capital and did not carry out any due diligence checks on Thames Capital.

4.2.2 Based on our public searches, the Securities Commission of Malaysia had on 19 April 1999 issued a press release seeking public assistance to contact Dato Soh Chee Wen (IC No 591226-01-5879) and Patric Lim Hong Koon (IC No 6156329) to execute a warrant of arrest on each of them.

In 2008, Patric Lim Hong Koon was compounded with a fine of RM500,000 for the offence of opening accounts at Omega Securities Sdn Bhd and Amsteel Securities Sdn Bhd under the names of nominees for Soh Chee Wen, who were not the beneficial owners.

Based on our search on the incorporation of Thames Capital, Patric Lim Hong Koon was disclosed as a British national.

***Source*:**

(1) Company's announcements dated 29 August 2013, 30 August 2013, 28 April 2016, 8 March 2017, 21 June 2017 and 12 October 2018;
(2) GCM's annual report for FY2012;
(3) GCM's announcement dated 29 August 2013, 20 June 2017 and 9 October 2017;
(4) Directors' resolutions in writing passed pursuant to the Company's articles of association dated 28 August 2013 and 2 February 2017;
(5) Board Paper presented to the Board on the subscription of GCM shares by Management;
(6) Subscription agreement between Company and GCM dated 28 August 2013;
(7) Lock-in deed agreement between Company and GCM dated 28 August 2013;
(8) Letter from Thames Capital to the Company in relation to the block sale of 9,000,000 GCM shares dated 22 February 2017, 9 March 2017 and 22 June 2017;
(9) Certificate of incorporation of a private limited company, Thames Capital Partners Limited, from the registrar of companies for England and Wales;
(10) Bank remittance advice from the Company to Mr Patric Lim Hong Koon dated 15 March 2017;
(11) Bank remittance advice from Mr Patric Lim Hong Koon to the Company dated 4 July 2017 and 26 September 2017;
(12) Bank remittance advice from Mr Ciaran McNamee to the Company dated 2 August 2017, 8 August 2017, 6 September 2017, 8 September 2017, 5 October 2017, 11 October 2017, 11 October 2017 and 31 May 2018;
(13) Company's annual report for FY2018;
(14) Email correspondences between Management and Thames Capital dated 26 February 2019;
(15) Securities Commission of Malaysia. (1999, April 19). Press Release. Assistance sought by SC; and
(16) Securities Commission of Malaysia. (2008). Cases compounded in 2008. Retrieved from https://www.sc.com.my/regulation/enforcement/actions/cases-compounded/cases-compounded-in-2008.

4.3 Interview notes with the Directors

The Directors who had approved the subscription agreement with GCM and the subsequent disposal of the GCM shares, with the input from key Management, were:

Directors	**Key Management**
<u>Subscription agreement with GCM (28 August 2013)</u>	
Mr Kushairi Bin Zaidel	Mr Luke Ho, CFO
Mr Koh Teng Kiat (ceased as director on 30 May 2014)	
Mr Lim Kuan Yew (ceased as director on 30 September 2014)	
Mr Datuk Idris Bin Abdullah @ Das Murthy (ceased as director on 30 June 2014)	
Mr Goh Boon Kok (ceased as director on 2 July 2015)	
<u>Disposal of GCM shares (2 February 2017)</u>	
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon (appointed on 15 August 2014)	
Mr John Ong (appointed on 30 June 2015 and ceased as director on 30 June 2019)	
Mr Nick Ong (appointed on 2 November 2015)	

During the time span of this Selected Transaction, there were several changes to the composition of the Board. The Directors and key Management who had overseen the deemed disposal of the GCM shares in February 2017 and the outstanding amount owing from Thames Capital since then to the Review Date were:

Directors	**Key Management**
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr John Ong	
Mr Nick Ong	

We have interviewed the relevant Directors on the following, and our interview notes with them are set out in Appendix C to this Report:

S/N	Queries	Comments from the Directors
1.	With reference to Section 4.2.1 above, how should the Company disclose the purported sale of the GCM shares going forward?	
2.	In the disposal of the GCM shares, the Company did not appoint a lawyer to advise on the sale arrangement with Thames Capital. What was the Board's deliberation on whether the Company should or should not appoint a legal adviser on the above?	
3.	Given the absence of an update from Thames Capital on the cost, fees and losses to be borne by the Company and the final disposal of the GCM shares, what measures do Directors intend to take for the following: • Recover the monies from Thames Capital • Make the relevant and accurate disclosures of the arrangement with Thames Capital • Post mortem analysis of the transaction	

4.4 Interview notes with External Auditors

We have interviewed the External Auditors on the following. However, consent was not granted by Moore Stephens to attach our interview notes with them in this Report.

S/N	Queries	Comments from External Auditors
1.	What were the bases to recognize the transfer of the GCM shares as a disposal, given the sale arrangement with Thames Capital?	
2.	Amount owing from Thames Capital has been outstanding since FY2017 although Thames Capital had been confirming the outstanding amount at each FY. What additional audit steps are taken to support that the outstanding amount should not be impaired given the paid-up capital of Thames Capital of £1 and the lack of update of the status of the disposal of the GCM shares?	

4.5 Summary of our recommendations in relation to the transaction "Disposal of GCM shares" and Directors/Management's responses

From our review of the above transaction, we have set out below key areas for the Company's consideration and which we would recommend the Company to adopt/incorporate in its Investment Policy going forward:

S/N	Recommendations
1.	The Company should appoint a legal adviser in the preparation of the announcement and review of the legal documents including the subscription agreement and the lock-in deed, to avoid inaccuracies of disclosure, insufficient information on the transaction and omission of information. e.g. name of target company, date of subscription agreement and incorporation of entity entering into the subscription agreement, key terms of the lock-in deed, information on GCM and how the Company's 15% shareholding interest were derived, reason for not seeking board representation on GCM given that it will be the 2nd largest substantial shareholder of GCM.

S/N	Recommendations
2.	The Company should consult with its legal adviser, auditors and Sponsor, where relevant, on the accounting treatment and disclosure of sales arrangement of the quoted securities where it is being carried out other than through the normal open market. e.g. the sale arrangement with Thames Capital to ascertain how the transfer of the GCM shares should be accounted for and disclosed.
3.	The Company should appoint professional adviser to advise on the terms of the sale arrangement (where it is not through the normal open market) and due diligence on the counter-party.
4.	The Company should carry out proper checks to ensure that information and responses to the SGX-ST and Sponsor that are released on SGXNET are accurate. e.g. responses to SGX-ST queries on 12 October 2018 seems to contradict the Company's earlier confirmation that the GCM shares were sold.

The relevant Directors have confirmed that they are agreeable to our recommendations set out above during their respective interviews.

5. A SUM OF S$300,000 RECORDED AS FIXED DEPOSIT

5.1 Overview

5.1.1 The Company had disclosed in the notes of its audited accounts for each of FY2016, FY2017 and FY2018 the restricted fixed deposits which are held in the name of one of the Directors holding in trust for the Group. The amount was between S$303,598 and S$304,055 as at the end of each of the above financial years, the S$4,055 being accumulated interest earned on the fixed deposit of S$300,000 as at 30 June 2018. The disclosure in the audited accounts for FY2015, being the first year when the restricted fixed deposit was placed, did not mention that it was held in the name of one of the Directors holding in trust for the Group.

5.1.2 The Sponsor and SGX-ST had raised, *inter alia*, queries on the purpose of the fixed deposit, whether it was used to pay bail money, why the fixed deposit was "restricted", whether fixed deposit is considered as a loan given to the CEO and hence an interested person transaction that requires disclosure under the Catalist Rules, and why the loan from CEO of S$150,000 was not used to offset against the fixed deposit to reduce the interest payable to the CEO.

The Company had responded to the above, *via* its SGXNET announcement on 12 October 2018, on the following key points:

(a) The Board had approved the fixed deposit which was used as the bail money for the CEO (then the CFO in 2015) as the CEO needs to travel to ensure the continuity of the business affairs of the Group. The Board had considered the CEO's length of service with the Company, his family connections and roots in Singapore and the fact that there was a need to retain his services in order to provide business continuity for the Company in arriving at the decision to provide bail for the CEO.

The CEO is assisting the investigations by the CAD and has not been charged with any offence. Should the CEO be charged for any wrongdoing, the bail will be cancelled and the said deposit shall be returned to the Company immediately.

The Board has been monitoring the progress of the CAD investigations and assessed the risk to the Company in continuing to provide the bail. Thus far, no events have arisen for the Board to reassess withdrawing the bail provided.

(b) The fixed deposit is placed under the name of Ms Seet Chor Hoon as the trustee for the fixed deposit and Ms Seet Chor Hoon has signed a letter of undertaking to return the said sum to the Company when the bail is released.

(c) The fixed deposit is "restricted" for the purpose of the bail.

(d) The fixed deposit is not a loan to the CEO and hence is not an interested person transaction. The fixed deposit and all accumulated interests are reflected in the accounts of the Company.

5.1.3 On 31 January 2019, the Company announced that the fixed deposit for the bail sum that was held in trust, has been released to the Company on 29 November 2018.

5.2 Our review of the fixed deposit

5.2.1 The Board had, on 16 December 2014, approved the placement of a fixed deposit of S$300,000 in an account with UOB Bank under the name of Ms Seet Chor Hoon, who had agreed to act as the surety for the release of Mr Luke Ho's passport.

The Board members who approved the above board resolution were Mr Kushairi Bin Zaidel, Mr Goh Boon Kok and Ms Seet Chor Hoon.

Ms Seet Chor Hoon had volunteered to be the surety as she satisfies the criteria of a surety, which are as follows:

(i) aged 21 years and above;
(ii) not an un-discharged bankrupt;
(iii) is not facing any current proceedings in court, that is, the surety is not an accused person in other cases; and
(iv) is a Singapore citizen or permanent resident of Singapore.

The Company also obtained an undertaking from Ms Seet Chor Hoon dated 16 December 2014 that she agreed to act as the surety for the release of Mr Luke Ho's passport, that the fixed deposit, together with all interest earned shall be returned to the Company on the closure of the investigation by the CAD, and she is NOT responsible to make good the sum of S$300,000 and interest earned if CAD confiscates the fixed deposit in the event that Mr Luke Ho does not return to Singapore or breaches any condition imposed by the CAD for the return of his passport. The Company's recourse in such event shall lie against Mr Luke Ho.

At the time of the approval for the placement of fixed deposit of S$300,000 on 16 December 2014, the latest publicly available NAV of the Group was S$32.6 million and the Company's market capitalization was S$13.5 million. The fixed deposit of S$300,000 represented 0.9% of the NAV of the Group and 2.2% of the market capitalization of the Company.

5.2.2 Besides Mr Luke Ho, the Company and certain subsidiaries also received notices from the CAD in April 2014 to assist with investigations in relation to an offence under the Securities and Futures Act (Chapter 289). All relevant documents from 1 January 2011 to April 2014 were provided by the Company to the CAD. Mr Luke Ho had his passport impounded by the CAD.

The Company had explained that the CAD investigations is linked to the penny stock saga in October 2013 as the Company had also invested in some of the penny stocks which were star performers in 2013 among the Company's stock portfolio. As the CAD investigations progressed, the 2 Executive Directors, Mr Koh Teng Kiat (COO) resigned on 31 May 2014 and Mr Lim Kuan Yew (Managing Director) resigned on 30 September 2014.

5.2.3 Following the resignations of the 2 Executive Directors, Mr Luke Ho first assumed the Interim COO position on 1 July 2014, then the Interim CEO position on 1 October 2014. He was also concurrently the CFO of the Company. The Company had explained that Mr Luke Ho was required to travel in his capacity as the CEO and CFO of the Company. By December 2014, the Company was prepared to fund the fixed deposit to effectively provide the bail money as retrieving the passport from the CAD to enable Mr Luke Ho to travel on official duties was in the interests of the Company. The Board had also considered various factors set out in Section 5.1.2 (a) above to conclude that the flight risk of Mr Luke Ho was low.

Accordingly, the Board resolution was passed to place the fixed deposit under the name of Ms Seet Chor Hoon who volunteered as the surety. The fixed deposit was initially placed on a 13-month deposit on 8 January 2015 which earned interest at the rate of 1.1% per annum, and then rolled-over upon maturity at various interest rates and tenure. By the time the fixed deposit was released to the Company on 29 November 2018, the accumulated interest earned on the fixed deposit was S$6,483.76.

Mr Luke Ho explained that he had decided to make alternative arrangements for the bail which took effect in November 2018. Accordingly, the fixed deposit was returned to the Company and Ms Seet Chor Hoon ceased to be the surety for Mr Luke Ho.

Mr Luke Ho explained that the CAD investigations on him was in his capacity as an employee of the Company and not a personal matter, and hence the Company's arrangement to settle the bail was to enable him to travel on official duties.

The fixed deposit from the Company for the bail together with all accumulated interests, totaling S$306,483.76 was returned to the Company on 29 November 2018. The Company announced the release of the fixed deposit to the Company on 31 January 2019.

The Company had viewed the release of the fixed deposit in November 2018 as immaterial to warrant an announcement and as the initial placement of the fixed deposit in January 2015 was not announced by the Company. Upon further consideration by the Company, the Company decided to make the announcement on the release of the fixed deposit, albeit belatedly, in January 2019 to provide closure to the matter as the Company had provided background and purpose of the fixed deposit in its response to the SGX-ST and Sponsor's queries on 12 October 2018.

5.2.4 It was noted in the Board resolution on 16 December 2014 that the fixed deposit was not an interested person transaction under Chapter 9 of the Catalist Rules and Section 162 of the Companies Act does not apply as it is not a loan to a director or an officer of the Company. Section 172 of the Companies Act also does not apply as Mr Luke Ho had not been found guilty of any negligence, default, breach of duty or breach of trust.

Hence, the fixed deposit was disclosed as restricted fixed deposit in the notes to the audited accounts of the Company for FY2015, being the first year when the fixed deposit was made. In the subsequent years for FY2016, FY2017 and FY2018, the Company had provided the explanation that the fixed deposit was held in the name of one of the Directors holding in trust for the Group.

The Company explained that it had overlooked the explanatory disclosure on the deposit in the notes of the audited accounts for FY2015, being the first year when the fixed deposit was made.

5.2.5 However, the Company had not disclosed further relevant information that the restricted fixed deposit was for the bail money for Mr Luke Ho, the CEO, in connection with the CAD investigation on him which started in April 2014. There is also no disclosure that in the event Mr Luke Ho breaches any of the conditions of the bail, the CAD can confiscate the fixed deposit, and the Company's only recourse in such an event is against Mr Luke Ho.

The Company had justified that its current disclosures in its audited accounts are sufficient as it is in accordance with the accounting disclosures standards and its auditors are aware of the purpose of the fixed deposit in the audit of the audited accounts for each of the financial years and did not raise the need to disclose more details. In addition, the Company had viewed that the flight risk of Mr Luke Ho to be low.

5.2.6 Overall, we noted that in relation to the fixed deposit of S$300,000, Board approval was obtained on 16 December 2014 for the arrangement for the placement of the fixed deposit for the bail, that the bail was necessary in the interest of the Company, certain disclosures were made in the notes of the Company's audited accounts and the fixed deposit was eventually released to the Company on 29 November 2018.

The fixed deposit was not extended to the CEO (as he did not receive the money) nor to Ms Seet Chor Hoon, the Director who is holding the fixed deposit in trust for the Company. Hence, it is not regarded as a loan to an interested person. The CEO, however, benefited from the fixed deposit arrangement as a bail for him to retrieve his passport. However, Mr Luke Ho and the Board believe that the retrieval of the passport from the CAD is in the interest of the Company so that Mr Luke Ho could carry on his official duties overseas.

Going forward, we would, however, recommend that for good corporate governance, the Company should consider making the necessary disclosures and timely announcements, and when in doubt, to consult with its Sponsor on the need to make any public announcement and the extent of such public announcements. In particular, with regard to the fixed deposit, in view of the unusual circumstances, for good corporate governance notwithstanding that there is no stated requirement for an announcement of this nature pursuant to the Catalist Rules, the Board

should have given further consideration to make the announcements (update announcements) and/or the relevant disclosures in the notes of the audited accounts on the following:

(a) the arrangement is approved by the Board and justified by the Board to be in the interest of the Company, and the reason why the arrangement would not pose any potential conflict of interest as the person being bailed is the Company's CEO;

(b) assessment by the Board of the flight risk of Mr Luke Ho and possible forfeiture of the money by the CAD, and whether or not the Company has any recourse;

(c) disclosure of the name of the director (that is, Ms Seet Chor Hoon) who is holding the fixed deposit in trust for the Company and who is the surety for the CEO; and

(d) the status of the CAD investigations and whether the bail is still necessary, until the fixed deposit is returned to the Company or when bail is no longer required.

The Company had already made announcements in April 2014 of, *inter alia*, the investigations by the CAD and that the passport of Mr Luke Ho has been impounded. Hence, disclosure of the fixed deposit arrangement would have avoided the doubts and suspicion cast on the incomplete disclosure made on the purpose of the restricted fixed deposit for the CEO.

5.2.7 With respect to the query on set-off of the loan from the CEO of S$150,000 against the fixed deposit for the bail money to reduce interest expense, we note that the Company did not quite respond to the matter in its announcement on 12 October 2018.

We have followed up with the Company and the Company had responded as follows:

The fixed deposit is not a loan to the CEO and hence the query on the possibility of a set-off against the loan from the CEO is not relevant nor applicable.

***Source*:**

(1) Company's annual reports for FY2015, FY2016, FY2017 and FY2018;
(2) Directors' resolutions in writing passed pursuant to the Company's article of association dated 16 December 2014;
(3) Letter of undertaking from Ms Seet Chor Hoon to the Company dated 16 December 2014 in relation to act as surety for Mr Luke Ho and S$300,000 fixed deposit held in trust; and
(4) Company's announcements on 12 October 2018 and 31 January 2019.

5.3 The Directors who had approved the restricted fixed deposit, with the input from key Management, were:

Directors	Key Management
Mr Kushairi Bin Zaidel Ms Seet Chor Hoon Mr Goh Boon Kok (ceased as Director on 2 July 2015)	Mr Luke Ho, CFO and Interim CEO (who was the subject matter for the arrangement for the restricted fixed deposit)

The Directors and key Management who had overseen the restricted fixed deposit since 16 December 2014 until the announcement of the release of the fixed deposit on 31 January 2019 were:

Directors	Key Management
Mr Kushairi Bin Zaidel Ms Seet Chor Hoon Mr Goh Boon Kok (ceased as Director on 2 July 2015) Mr John Ong (appointed as Director on 30 June 2015) Mr Nick Ong (appointed as Director on 2 November 2015) Mr Charles Madhavan (appointed as Director on 2 April 2018 and ceased as Director on 30 October 2018)	Mr Luke Ho, CEO (who was the subject matter for the arrangement for the restricted fixed deposit)

5.4 Interview with External Auditors

We have interviewed the External Auditors on the following. However, consent was not granted by Moore Stephens to attach our interview notes with them in this Report.

S/N	Queries	Comments from External Auditors
1.	With reference to Sections 5.2.4 and 5.2.5, given the nature of the restricted fixed deposit and the potential risk, even though considered low by the Board, was the disclosure of the restricted fixed deposit in the annual reports from FY2015 to FY2018 sufficient and in line with required accounting disclosure standards?	

5.5 Summary of our recommendations in relation to the transaction "A sum of S$300,000 recorded as fixed deposit" and Directors/Management's responses

From our review of the above transaction, we have set out below key areas for the Company's consideration and which we would recommend the Company to adopt/incorporate in its Investment Policy going forward:

S/N	Recommendations
1.	The Company should carry out proper checks to ensure that information disclosed in its annual reports are adequate, timely and accurate. e.g. the disclosures in the annual reports for FY2015 to FY2018 on the restricted fixed deposit were inadequate for shareholders/investors to understand the nature and purpose of the restricted fixed deposit. e.g. the disclosure in the Company's announcement in January 2019 that the fixed deposit had been released in November 2018. The Company had acknowledged that it had decided to make the announcement to provide closure to the matter in light of its response to the SGX-ST and Sponsor's queries on 12 October 2018.
2.	The Company should ensure that adequate information are set out in the announcement and such announcements are made in a timely manner, taking into consideration our comments in Section 5.2.6 above.

The relevant Directors have confirmed that they are agreeable to our recommendations set out above during their respective interviews.

6. LOANS TO INDONESIAN CONTRACTOR, PT HANJUNGIN

6.1 Overview

On 8 April 2015, the Company incorporated a wholly-owned subsidiary, MEG Global Resources Limited ("**MGR**") in the British Virgin Islands. The principal activity of MGR is that of physical trading of energy and natural resources. MGR is the vehicle to invest in PT Hanjungin.

On 29 October 2015, the Company obtained Shareholders' approval at its EGM to, *inter alia*, diversify the Group's business to include (i) property and infrastructure asset development, operation and management ("**Property Business**"); and (ii) investing and participating in the minerals and natural resources sectors ("**Minerals and Natural Resources Business**"). The details on the above are set out in the Circular to Shareholders dated 14 October 2015.

During the period between 26 May 2015 and 25 April 2016, the Group had, through MGR, extended fundings, totalling S$10.9 million, to PT Hanjungin in relation to:

(a) a housing development project in Kupang City, East Nusa Tenggara, Indonesia ("**Kupang Land**") – S$5.0 million. Estimated time to complete - 18 months from the commencement of construction as per the Company's announcement on 22 May 2015;

(b) construction of toll roads in Central Java, Indonesia ("**Road Project I**") – S$1.0 million and in Cimanggis, West Java and Solo, Central Java ("**Road Project II**") – S$0.9 million. Estimated time to complete each project – 6 months from the date of the announcement as per the Company's announcements on 16 November 2015 and 1 February 2016 respectively; and

(c) land clearing and tunnelling works as part of dam construction in Banten, West Java Indonesia ("**Dam Project**") – S$4.0 million. Estimated time to complete – 540 days from the date of announcement as per the Company's announcement on 23 March 2016.

The Company had described PT Hanjungin in its announcement on 22 May 2015, as a company incorporated in the Republic of Indonesia and is principally engaged in property and infrastructure development in Indonesia.

We note in the legal due diligence report by the Indonesian Lawyers (as defined and set out in Section 6.2.3 below) that PT Hanjungin is owned by Linda Liudianto (70%) and Olivia Liudianto (30%). Management said that the key persons that they had dealt with in PT Hanjungin are Ms Linda Liudianto (President Director) and her Korean husband, Mr Lee Jae Sik, known to Management as an experienced building engineer. Management is not aware of the relationship between Linda and Olivia although they share the same surname.

Management was introduced to PT Hanjungin by Mr Siem Liep San/Rudy Santoso ("**Mr Rudy Santoso**"), the Group's key representative in Indonesia. Mr Rudy Santoso was the Director of the Group's then 56%-owned subsidiary in Indonesia, PT Deefu Chemical Indonesia, and President Director of PT Deefu's wholly-owned subsidiary, PT Batubara Selaras Sapta.

Mr Rudy Santoso became the President Director of the Group's wholly-owned subsidiary, PT MEG Harta Indonesia ("**PT Harta**"), upon its incorporation on 1 June 2016. PT Harta is owned 90% by the Company and 10% by MGR. The principal activity of PT Harta is investments holding, property and infrastructure development and trading of natural resources. PT Harta was set up to own the Kupang Land if the need arises.

Thus far, out of S$10.9 million extended to PT Hanjungin, PT Hanjungin had repaid S$4.0 million (S$1.0 million in relation to Road Project I and S$3.0 million in relation to the Dam Project) to the Company, leaving an outstanding amount of S$6.9 million (before taking into account accumulated interest) owing to the Company.

On or around 18 May 2016, the Road Project I was mutually agreed to be terminated. On 20 September 2016, the Dam Project was also mutually agreed to be terminated. As disclosed in the Company's annual reports for FY2016 and FY2017, as at 30 June 2016, Road Project II was delayed due to issues relating to material supplies and as at 30 June 2017, Road Project II was terminated by mutual agreement. On 31 August 2017, the Group and PT Hanjungin entered into a Deed of Acknowledgement of Indebtedness ("**Deed**") to consolidate the amount owing from PT Hanjungin to the Group including outstanding interest, totaling S$7.4 million ("**Restructured Loan**"). The Restructured Loan bears interest at 5% per annum on the outstanding principal amount of the loan and an additional interest of 7% per annum (or 21% for 3 years) on the outstanding principal amount of the loan, payable on 31 August 2020. According to the Company, the Restructured Loan is collateralised on the Kupang Land owned by PT Hanjungin and 50 certificates of the housing units constructed on the Kupang Land.

On 28 May 2018, the Company announced that it was notified by PT Hanjungin on 23 May 2018 that the ownership of the Kupang Land became a dispute between the former seller and a third party. The Company's legal adviser in Indonesia had on 3 August 2018 given their legal opinion that it would be difficult for the Group to sell the Kupang Land as the lawsuit against PT Hanjungin over the ownership of the Kupang Land presents a risk to prospective buyers. In view of the above, the Group had recognized a full impairment of the outstanding Restructured Loan amount of S$7.3 million as at 30 June 2018 for FY2018.

As at the Review Date, Management had updated that the Company is in the process of obtaining a legal opinion from its Indonesian Lawyers on the above outstanding legal case.

In view of the weak demand for the residential units and the unpaid and overdue interests by PT Hanjungin on the Restructured Loan, the Company is negotiating with PT Hanjungin for the settlement of the outstanding debts owed to the Company. The Company had started the negotiations with PT Hanjungin sometime in May 2019 but parties have not reached a final agreement yet as at the Review Date.

Details of the Kupang Land project, Road Project I, Road Project II and Dam Project and related matters are set out in Sections 6.2 to 6.5 below.

6.2 Kupang Land project

6.2.1 On 5 May 2015, the Company announced that its subsidiary, MGR, had entered into a non-binding memorandum of understanding ("**MOU**") with PT Hanjungin in relation to the offtake of the entire manganese deposit in the land that is currently under the ownership of PT Hanjungin. Pursuant to the MOU, MGR was to provide a redeemable convertible loan ("**RCL**") of S$2.5 million to PT Hanjungin to enable PT Hanjungin to explore, mine and deliver the entire manganese deposit in the land. PT Hanjungin shall pledge the land as the collateral under the RCL. The RCL shall bear an interest of 9% per annum. The MOU was subject to satisfactory due diligence to be carried out by the Company and the entry into a definitive agreement.

On 22 May 2015, the Company announced that MGR had entered into the RCL agreement with PT Hanjungin for an amount of up to S$5.0 million. The RCL was collateralised on the Kupang Land owned by PT Hanjungin and had described the Kupang Land as land with an area of 150,000 sq m (equivalent to 15 hectares), which shall be developed into 656 units of houses of various sizes as well as 2 commercial buildings (referred to in this Report as Kupang Land project). The expected completion of the development was approximately 18 months from commencement of construction, after which, the properties would be sold or leased.

The RCL allowed PT Hanjungin to borrow from MGR up to S$5.0 million, which can be drawn down in 50 tranches in the denomination of S$100,000 each and which are convertible into fully paid ordinary shares of PT Hanjungin subject to mutual agreement. The RCL is repayable on 31 December 2017. Interest on the loan is at 9% per annum payable on a half-yearly basis.

Notwithstanding the permissible draw down in 50 tranches, the full amount of S$5.0 million was drawn down in 5 tranches within 3 months between 26 May 2015 and 12 August 2015. We noted

that the Company had funded the RCL from the proceeds from the Notes Issue program. Some background information on the Notes Issue program is set out in Section 11.2.3 of this Report.

We note that the Company had attempted to remit the first S$1.0 million on 26 May 2015 to Indo Energy Pte Ltd's OCBC Bank account in Singapore as per the instructions of PT Hanjungin. The Company did not enquire further. Based on our searches, Indo Energy Pte Ltd is an exempt private company incorporated in Singapore whose principal activity is in wholesale trading of a variety of goods. The directors and shareholders are Tan Hong Leng (deceased) (Singaporean) and Mdm Bie Hua (Indonesian). The status of Indo Energy Pte Ltd was "Struck Off" on 21 July 2011. On 27 May 2015, further instruction was given by the Company to its bankers to remit the S$1.0 million to Indo Energy Holdings Pte Ltd instead, with the same bank account number and address. Based on our recent searches, Indo Energy Holdings Pte Ltd is an exempt private company incorporated in Singapore whose principal activity is in wholesale trading of a variety of goods. The directors are Lim Chin Hin (Singaporean) and Ronie Tangkong (Indonesian) and the sole shareholder is Lim Chin Hin. The status of Indo Energy Holdings Pte Ltd was "Gazetted To Be Struck Off" on 1 August 2019. PT Hanjungin had on 29 May 2015 acknowledged the receipt of the above monies.

The remaining S$4.0 million was remitted in 4 drawdowns of the RCL to PT Hanjungin by 12 August 2015.

Minutes of the board meeting on 20 August 2015 noted that Mr Luke Ho had brought to the attention of the Board that S$5 million has been fully disbursed to PT Hanjungin for the development of both residential properties and possible manganese mine.

The announcement also disclosed an adjacent land ("**Adjacent Land**") of 200,000 sq m next to the Kupang Land which PT Hanjungin intends to develop into a manganese mine, subject to obtaining the relevant mining and mineral licensing approvals, and if such approvals are not obtained by 24 months, the Adjacent Land would be developed into residential and/or commercial properties instead. The Company believed that the Adjacent Land provides future collaboration and investment opportunities for the Group.

In the announcement on 22 May 2015 under the caption entitled "Rationale", the Company had stated that investing in PT Hanjungin presents an attractive low risk and low cost investment opportunity as it is secured on the Kupang Land. The Adjacent Land does not form part of the collateral. The Company also added that the RCL presents a realistic opportunity for the Group to simultaneously invest in the property development of the Kupang Land as it allows for the conversion into shares of PT Hanjungin based on the net asset value of PT Hanjungin as at the conversion date.

The above announcement also disclosed that Kupang Land is located in Kupang City, being the biggest city and port on the island of Timor, and is the capital of the Indonesian province of East Nusa Tenggara.

By the time of the definitive agreement on 22 May 2015, the size and nature of the project with PT Hanjungin were changed from S$2.5 million to S$5.0 million and from the mining of manganese on the Kupang Land to a housing development on the Kupang Land.

The Company had in the above announcement disclosed PT Hanjungin as a company incorporated in Indonesia which is principally engaged in property and infrastructure development in Indonesia. No further information on the shareholders, directors and financial information of PT Hanjungin was disclosed in the announcement. In fact, as shown in Section 6.2.3 below, PT Hanjungin's then business licence had stated that its business activity was in relation to supplier, export and import business.

Upon our queries, Management had explained the following:

(a) the mining of manganese project as announced in the MOU on 5 May 2015 was changed to housing development project as announced on 22 May 2015 after Management and an

Independent Director (Ms Seet Chor Hoon) had visited the Kupang Land site and decided that the housing development project was a more suitable project as the location was near to the seaport, airport and a proposed hospital. In addition, PT Hanjungin had represented to Management that they had a MOU from East Nusa Tenggara Regional Police Cooperative to build 1,000** housing units predominantly for the police staff which would mean that there would be demand for the housing project. Management acknowledged that they should have explained the change of plans and terms of the project in the Company's announcement of 22 May 2015;

** Based on our search on PT Hanjungin, we found an article dated 27 July 2009 which mentioned a proposed construction of 1,000 housing units on 33 hectares of land in a development called Oeliu Indah which is a collaboration between NTT Regional Police and PT Hanjungin and Bank Tabungan Negara (BTN) Kupang Branch. The construction of the housing was for members of the NTT Regional Police and general public.

Please see Section 6.2.4 below on the Indonesian valuer's description of the Kupang Land development project as Oeliui Residential Estate, which is similar to the proposed housing project "Oeliu Indah" in the article dated 27 July 2009.

Management clarified that they are not aware of the above or if the above proposed project was on the same site as the Kupang Land project.

(b) Management had viewed the RCL as an extension of loans to PT Hanjungin that would commence to earn interest at the rate of 9% per annum upon drawdown of the loans. Hence, Management was not concerned that the loans were fully extended within 3 months after the RCL agreement. Management had left it to PT Hanjungin to manage the use of funds which were mainly used for the housing project and perhaps some funds were used to apply for the mining permits. Management was more concerned that the RCL loan should be properly collateralised on the Kupang Land.

Mr Nick Ong, the Non-Independent Non-Executive Director, clarified that he had prepared the legal documentation with respect to the RCL as legal counsel to the Company and his scope of work did not involve any legal advisory on the RCL or the structuring of the same.

The Company took the view that it was reasonable to rely on the experience of the management of PT Hanjungin to manage their own business and did not enquire into the operations of PT Hanjungin that was managed by its management.

(c) In hindsight, in view of the increase in the RCL loan amount from S$2.5 million to S$5.0 million, the collateral on the Kupang Land which was valued at S$5.5 million (as valued by Collier's associate in Indonesia) provided a much lower loan-to-value coverage ratio;

(d) In hindsight, as the development was slower than expected and the prospective sales of housing units were delayed due to changes in personnel in the local government department, the Company should have managed the progress of the project more closely rather than just treating the project as an extension of loans, and should have exercised tighter control over the use of funds in accordance with the agreement.

Mr Nick Ong again highlighted that the RCL was a loan arrangement and that the Company had relied on the expertise of its partner, PT Hanjungin, to carry out the development works. He is of the view that in hindsight, if a better partner had been selected, the Company would have been in a much better position;

(e) Management also agreed that going forward, they should only pay directly to the contracting party and not to unknown parties in accordance with the instructions of its contracting party;

(f) Management is aware that the conversion of the RCL into equities of PT Hanjungin was subject to mutual agreement as part of the negotiations with PT Hanjungin. This would

effectively mean that the Company does not have the full rights to the equity conversion option;

(g) There may be matters disclosed in the legal due diligence report by the Indonesian Lawyers which may not have been perfected at the time of the RCL agreement (see Section 6.2.3 below) but Management believed that these can be put right later on as Management was more focussed on getting the collateral of the Kupang Land done properly to ensure that it is legally enforceable pursuant to the Land Collateral Agreement and the execution of the power of attorney;

(h) Management is of the view that, although the Kupang Land project is PT Hanjungin's first property development project, the proposed low cost housing project is relatively uncomplicated which Management believed that PT Hanjungin, based on its track record as a builder of small housing projects, would be able to manage; and

(i) Management was managing the risk exposure to the Kupang Land project by extending the RCL loan to PT Hanjungin instead of a direct equity investment into PT Hanjungin. Therefore, Management, Board and the Sponsor did not consider that Chapter 10 of the Catalist Rules would apply.

6.2.2 New Business and Shareholders' approval

We note that among other things, Management had engaged a team of professionals to advise the Company on the Kupang Land project and to assist in the due diligence on the Kupang Land project, including the Indonesian Lawyers, Robert Wang & Woo LLP (Mr Nick Ong) for the agreements, and Colliers International as the independent land valuer.

At the time of the announcement of the Kupang Land project, the Company's market capitalization was S$4.7 million as at 22 May 2015. The RCL amount of S$5.0 million had represented 106.4% of the then market capitalization of the Company.

The Kupang Land project, if it is deemed as an acquisition pursuant to Chapter 10 of the Catalist Rules, would constitute a very substantial acquisition which is subject to various requirements including Shareholders' approval under Rule 1015 of the Catalist Rules.

Management had explained that the Kupang Land project is not an acquisition. Hence, the Company believed that Chapter 10 of the Catalist Rules would not apply until the RCL loan is converted into equities of PT Hanjungin, at which time then it would be deemed as an acquisition and the Company would evaluate the need for Shareholders' approval for the acquisition under Chapter 10 of the Catalist Rules.

The Kupang Land project is a housing development project which was then not an existing core business of the Group. As pointed out in Section 6.1 above, the Company had sought Shareholders' approval for the diversification into the Property Business on 29 October 2015 which was after the Company had entered into and had fully paid for the investment in the Kupang Land project. The Company had also not sought Shareholders' ratification for the investment in the Kupang Land project at the above EGM as the Company had treated the RCL loan as an extension of loans as explained below.

The Company explained that it had relied on Strike Engineering's (the previous name of Magnus) business scope in construction and property development at the time of the announcement of the Kupang Land project and hence believed that the housing development project is within the existing scope of business of the Group. In addition, as the investment is by way of the RCL loan, the Company believed that it had not gone into property development business as yet. In October 2015, the Company then sought Shareholders' approval to diversify into, *inter alia*, Property Business.

However, we note in the notes to the audited accounts of the Company for FY2006, the Company had disclosed that during FY2006, the Group had completed the disposal of four subsidiaries,

which represented the discontinuance of the building, electrical and mechanical engineering, architecture and design business segments of the Group. This would mean that the Kupang Land housing development project could not be deemed as an existing business of the Group at the time of the entry into the RCL agreement.

Management explained that they were not aware then that the disposal of those subsidiaries meant that the Company would no longer have the construction and property related business as an existing business. Management had thought that the scope of the construction business activities would continue to stay with the Company as the disposal was in relation to its subsidiaries and therefore would not affect the holding company's business activities.

The Company had invested in the Kupang Land project by way of the RCL, that is, an extension of loans to PT Hanjungin which the Company had recorded in its accounts as other receivables under non-current assets in its balance sheet.

The extension of loans to PT Hanjungin, that is, money lending, is not one of the Group's existing core businesses. Management pointed out that it was not the intention of the RCL loan for the Company to be engaged in money lending but to manage the Company's risk exposure to the Kupang Land project.

Management acknowledged that they should have sought prior Shareholders' approval or ratification at the EGM on 29 October 2015 for the Kupang Land project in view of the size of the transaction compared to the then market capitalization of the Company, the nature of the transaction (housing development project) and the funding structure for the investment.

6.2.3 Legal due diligence on the Collateral

The Company had appointed A. Setiadi Attorneys-At-Law as their Indonesian lawyers ("**Indonesian Lawyers**") to conduct legal due diligence on the ownership of the Kupang Land and the enforceability of the collateral on the Kupang Land which was done *via* the Land Collateral Agreement dated 22 May 2015 entered into between MGR, PT Hanjungin and Mr Rudy Santoso (as Attorney).

The Indonesian Lawyers had advised the Board with regard to the enforceability of the RCL and the Land Collateral Agreement and the Board was satisfied with the legal representations made by the Indonesian Lawyers, as disclosed in the announcement by the Company on 22 May 2015.

Pursuant to the Land Collateral Agreement, PT Hanjungin shall grant to MGR the power of sale and/or transfer over the Kupang Land to sell, transfer and/or dispose of the Kupang Land to any third party purchaser ("**Power of Sale**") as a collateral to secure all obligations of PT Hanjungin under the RCL agreement including all payment obligations. Upon the occurrence of any events of default set out in the RCL agreement, and after written notice has been given by MGR and PT Hanjungin, the Attorney shall be vested with the power of attorney and be entitled to exercise the Power of Sale for the purposes of recovering the principal amount and interest due to MGR under the RCL agreement.

Pursuant to the limited legal due diligence report by the Indonesian Lawyers, the Indonesian Lawyers had pointed out the following salient matters:

(a) Some of the licences of PT Hanjungin had expired and there is a discrepancy between the business licence of PT Hanjungin (which are supplier and export and import business) and the actual business to be undertaken (real estate developer). The discrepancy might affect the approval process from the Capital Investment Coordinating Board of Indonesia ("**BKPM**") for conversion of PT Hanjungin into a foreign investment company when MGR intends to convert the RCL into shares of PT Hanjungin.

(b) There were no encumbrances established over the Kupang Land.

(c) The Indonesian Lawyers were not provided with documents to support that PT Hanjungin has the requisite licences/approvals relating to Kupang Land for development of housing project, including (i) location permit confirming that the location of the land may be used as housing project, (ii) environmental impact analysis approval for the housing project, (iii) building permit to construct the building; and (iv) annual tax payment for the land required under the Indonesian Land and Building Taxes Law.

(d) In order for MGR to obtain the first rank to the right of security, the Kupang Land must be established as a first-ranked mortgage, by way of a Deed of Mortgage to be executed before the Land Deed Officer in Kupang having jurisdiction over the Kupang Land, and registered at the Land Office of Kupang, following which the land office will issue a Certificate of Mortgage. The Certificate of Mortgage will give entitlement to MGR to sell the Kupang Land through auction in the event of default by PT Hanjungin and MGR will have priority over other debtors of PT Hanjungin.

The Land Collateral Agreement was therefore not equivalent to nor executed to give effect to MGR to have a first priority mortgage on the Kupang Land as advised by the Indonesian Lawyers.

(e) Under the Bank of Indonesian Regulation, PT Hanjungin which obtained the foreign loan exceeding certain amount (i.e. the RCL loan from MGR) must report the loan to Bank Indonesia within 14 days from the date of the RCL Agreement and to make a continuing report pursuant to the said regulations.

Notwithstanding the above matters, in particular (a), (c) and (d), raised by the Indonesian Lawyers, the Company had announced that the Board was satisfied with the legal representations made by the Indonesian Lawyers, and proceeded with the Kupang Land project as is. As disclosed in Section 6.2.1(f) above, Management believed that the matters raised by the Indonesian Lawyers could be put right at a later stage and at that time, Management was more focused on ensuring that the Company has enforceable collateral on the Kupang Land, even though the collateral by way of the Land Collateral Agreement is not a first ranked mortgage charge on the Kupang Land as highlighted in the due diligence report by the Indonesian Lawyers.

Based on the minutes of the AC meeting held on 20 August 2015, the Company's auditors, Moore Stephens, had, in its review of the accounting systems and internal control of the Group, recommended a charge over the Kupang Land pledged as security as it gives the Company the right to resort the land for payment of a claim in the event of default, even though the Company had explained that it had taken proactive measures to have physical hold of the land title and executed a power of attorney (which was in the process of being signed and notarized on that day) to dispose the land in the event of dispute.

We note that subsequently the Company had obtained the power of attorney (signed and notarized) much later on 27 June 2016 and a legal opinion obtained from the Indonesian Lawyers on 15 September 2016 that the above power of attorney was valid.

Based on the minutes of the AC meeting held on 5 November 2015, Mr Luke Ho was not agreeable to the auditors' recommendation of having a charge over the Kupang Land due to the cost involved (US$200,000). Mr Luke Ho and AC members deliberated further on the cost *vis-à-vis* the risk of PT Hanjungin becoming insolvent and the uncertainty of whether the Company would have the first right over the Kupang Land. The meeting concluded that legal counsel should be sought to look into the possibility of lodging a caveat and that there should be on-going monitoring.

The Company's announcement on 22 May 2015 and subsequent updates and disclosures on the Kupang Land project in the Company's announcements and annual reports did not make a distinction of the nature of the collateral offered by the Land Collateral Agreement compared to the level of security of a mortgage charge on the Kupang Land.

Based on the minutes of AC meeting held on 31 October 2016, the auditors initially expressed similar dissatisfaction over the Land Collateral Agreement. However, after the audit partner had met with the Indonesian Lawyers, they were more assured with the identities of the parties and the procedure in the event that the Group had to dispose of the land.

During FY2018, the Company announced the legal disputes on the Kupang Land and consequently the Company had provided full impairment on the Restructured Loan. The Company is presently negotiating with PT Hanjungin for the settlement of the outstanding debts owed to the Company. As at the Review Date, this matter is still outstanding.

Management explained that in the event that PT Hanjungin loses the case in the legal dispute, then PT Hanjungin would not be deemed to have legal title to the Kupang Land. Accordingly, neither the Land Collateral Agreement nor a mortgage charge on the Kupang Land would be deemed effective since PT Hanjungin does not have legal title on the land in the first place. The Company would also not be able to have the land legally registered in PT Harta's name.

As mentioned in Section 6.2.1(g) above, Management believed that matters raised by the Indonesian Lawyers can be put right at a later stage.

However, we note that based on the minutes of AC meeting held on 8 May 2017, it was noted that the Kupang Land project had been affected by a delay in getting building permits and water licences.

Upon our enquiry, Management clarified that such permits and licences were eventually obtained by PT Hanjungin.

6.2.4 Independent valuation of the Kupang Land

Valuation as at 8 May 2015

Pursuant to the letter of engagement, the Company had, on 5 May 2015, engaged Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("**Colliers (S)**"), as a coordinator, to assist the Company to coordinate with a third party valuer (KJPP Hendra Gunawan dan Rekan) to determine the market valuation of the Kupang Land for the purpose of the collateral. Collliers (S) is a member of Colliers International. ("Rekan" is partners in Bahasa Indonesia.)

KJPP Hendra Gunawan dan Rekan is an associate of Colliers International in Indonesia, based on our findings on the website of Colliers International.

Pursuant to the letter of engagement between the Company and Colliers (S), KJPP Hendra Gunawan dan Rekan will be solely responsible and answerable directly to Magnus for their work and Colliers (S) will act as the coordinator for the purpose of communication between Magnus and KJPP Hendra Gunawan dan Rekan.

The independent valuation report dated 18 May 2015 was signed off solely by KJPP Hendra Gunawan dan Rekan.

KJPP Hendra Gunawan dan Rekan had ascribed a market value of the Kupang Land, as vacant land zoned for residential use, at Rp54.1 billion as at 8 May 2015 using the market valuation approach. In view of the unpredictable currency fluctuations between US$ and Rp, KJPP Hendra Gunawan dan Rekan believed it to be inappropriate to provide the valuation in US$ as at the date of the valuation. However, it provided the opening buying and selling exchange rates for US$ to be Rp13,111 and Rp13,243 on the date of valuation, for general information.

The market valuation of the Kupang Land is therefore approximately US$4.1 million based on the mid exchange rate of US$1:Rp13,177. Based on the exchange rate of US$1:S$1.3285 on 8 May 2015, this translates to approximately S$5.45 million.

In comparison, the RCL loan amount was S$5.0 million. The RCL loans were fully drawn down by PT Hanjungin by 12 August 2015. The loan-to-valuation ratio is 0.92 times.

Notwithstanding the demarcation of responsibility on the valuation report, the Company had made most references to the market valuation and the independent valuation report as Colliers'.

Valuation as at 29 May 2017

Pursuant to another letter of engagement, the Company had, on 26 April 2017, engaged Colliers (S), as a coordinator, and KJPP Rengganis, Hamid & Rekan ("**RHP**") as a sub-contractor valuer, to assist the Company to provide an update on the market valuation of the Kupang Land for the purpose of financial reporting. This would presumably be for financial reporting for FY2017.

KJPP Rengganis, Hamid & Partners has established a strategic alliance with CBRE Group Inc. in Indonesia, based on our findings on the CBRE Indonesia website.

Pursuant to the letter of engagement between the Company, Colliers (S) and RHP, RHP will be solely responsible and answerable directly to Magnus for their work. Colliers (S) will act as a coordinator between Magnus and RHP, and will not be reviewing the work done by RHP.

The independent valuation report dated 17 July 2017 was signed off solely by RHP.

RHP had made the following disclosures:

(a) The subject property is a residential estate known as Oeliui Residential Estate (Put on Hold) with land area of about 150,000 sq m. There were to be 849 residential units above the land, currently there are 100 residential units under construction which started in 2015 and put on hold since 2016. It is located at Batuplat Sub-district, Alak District, Kupang City, East Nusa Tenggara Province, Indonesia.

(b) RHP is to value the property based on:

  (i) Market Value – valued in its existing condition with 100 units residential (put on hold); and

  (ii) Gross Development Value – based on market derived perception on the most optimum development on the subject property site area, using special assumption that the 849 residential units are completed as at the date of valuation in the marketable condition prevailing as at that date.

(c) RHP had used the Cost Approach and Income Approach in the valuation methodology.

(d) RHP had ascribed the Market Value of the Kupang Land to be Rp55.604 billion and Gross Development Value of Rp162.887 billion as at 29 May 2017. Based on the exchange rate of US$1:Rp13,312 disclosed in the valuation report and the exchange rate of US$1:S$1.3863 on 29 May 2017, the translated Market Value and Gross Development Value is US$4.18 million (S$5.8 million) and US$12.24 million (S$17.0 million) respectively.

The above Market Value and Gross Development Value were disclosed in the notes to the audited accounts for FY2017 and in the Company's responses to the SGX-ST and Sponsor's queries on 12 October 2018. However, we note that the Company continued to make references to the valuation being conducted by Colliers when, in fact, Colliers did not sign off or took any responsibility on the valuation report prepared by RHP, and RHP is not an associate of Colliers International.

The Deed on the Restructured Loan was entered into after FY2017 and collateralised on the land and 50 house certificates owned by PT Hanjungin, as disclosed in the notes to the audited accounts for FY2017. Based on RHP's valuation report, the housing project (which only had 100

out of 849 housing units constructed or partially completed) had been put on hold since 2016 and therefore was far from being completed.

Given the situation, the valuation of the Kupang Land project on a gross development value basis on a fully completed basis of S$16.9 million compared to the Company's Restructured Loan amount of S$7.4 million might give the impression that the Company's collateral on the Kupang Land was well supported by the valuation. The market value of the property in its existing condition with 100 units residential (put on hold) showed only S$5.8 million equivalent which was below the outstanding amount of the Restructured Loan of S$7.4 million as at 30 June 2017.

Management had clarified the following:

(a) Management had thought that Colliers International was the valuer as the Company had signed the engagement letter with Colliers (S) and had paid the valuation fees to them directly;

(b) Management did not notice the details of the letter of engagement with Collier (S) and had left it to Colliers (S) to liaise with the Indonesian valuers;

(c) Management did not know that RHP was not an associate of Colliers International;

(d) Management believed that it is correct to show gross development value of the project on a completed basis even if there is no immediate visibility of completion in order to show the potential value of the project, but had not considered showing gross development value in its first announcement on 22 May 2015; and

(e) Management had not provided an update on the project since the announcement of the legal dispute on the Kupang Land, including the change of plans on the number of units to construct, delay in the completion of the sale of the 40 units which PT Hanjungin had won in a tender as announced by the Company in its results announcement for 1QFY2018 on 31 October 2017, status of the legal disputes, but will do so in the results announcement for FY2019 or in separate announcements.

6.3 Road Projects and Dam Project

On 16 November 2015, the Company announced that MGR had entered into a participation agreement with PT Hanjungin to jointly manage an infrastructure construction project in Central Java, Indonesia. PT Hanjungin had obtained a contract to construct a portion of a toll road in Central Java, Indonesia (Road Project I) which is expected to be completed within 6 months from 16 November 2015.

Pursuant to the participation project, the Group shall provide general management consultancy services and partial working capital of up to S$1 million as investment amount for Road Project I while PT Hanjungin shall provide the technical, construction and local expertise for the entire duration of Road Project I.

Upon successful completion of Road Project I, the Company will recover the full investment amount of S$1 million and a profit sharing of 20% on the net profit of Road Project I.

We note that the Company had disbursed the full S$1.0 million directly to PT Hanjungin for Road Project I in 2 tranches of S$500,000 each on 16 November 2015 and 21 December 2015.

On 1 February 2016, the Company announced that MGR had entered into another participation agreement with PT Hanjungin to jointly manage infrastructure construction project in Cimanggis, West Java and Solo, Central Java (Road Project II) which is expected to be completed within 6 months from 1 February 2016.

Similar to Road Project I, the Group shall provide general management consultancy services and partial working capital of up to S$2 million as investment amount for Road Project II while PT

Hanjungin shall provide the technical, construction and local expertise for the entire duration of Road Project II. Upon successful completion of Road Project II, the Company will recover the full investment amount of S$2 million and a profit sharing of 20% on the net profit of Road Project II.

We note that the Company had only disbursed S$0.9 million to PT Hanjungin for Road Project II by April 2016.

Road Project I and Road Project II are collectively referred to as Road Projects in this Report.

On 23 March 2016, the Company announced that MGR had entered into a participation agreement with PT Hanjungin to jointly manage the land clearing and tunneling construction phases of a dam construction in Banten, West Java (Dam Project). PT Hanjungin had obtained two contracts worth Rp147.4 billion (S$15.5 million) in relation to the Dam Project which was expected to be completed within 540 days (approximately 18 months) from 23 March 2016.

Similar to the Road Projects, the Group shall provide general management consultancy services and partial working capital of up to S$5 million as investment amount for Dam Project while PT Hanjungin shall provide the technical, construction and local expertise for the entire duration of Dam Project. Upon successful completion of Dam Project, the Company will recover the full investment amount of S$5 million and a share of the profit or loss of 15% on the net profit or net loss of Dam Project, as the case may be.

We note that the Group had disbursed S$4 million directly to PT Hanjungin in April 2016 for the Dam Project, of which S$1 million was drawn from the S$35 million Notes Issue program granted by Premier Equity Fund (as subscriber) and Value Capital Asset Management Private Limited (as arranger) and another S$3 million was drawn from the S$3.5 million secured convertible note facility granted by Financial Frontiers. Some background information on the Notes Issue program and the secured convertible notes facilities is set out in Section 11.2.3 of this Report.

On 18 May 2016, the Company announced updates on the Road Projects. In brief, the Road Projects were facing issues due mainly to weather and/or material supplies. On 21 September 2016, the Company announced that the Dam Project was delayed, *inter alia*, due mainly to land acquisition issues. As disclosed in the Company's annual reports for FY2016 and FY2017, the Road Projects and Dam Project were terminated and certain of the investment amounts were returned to the Company, and the balance outstanding were consolidated into the Restructured Loan pursuant to the Deed as described in Section 6.4 below.

The outcome of the Road Projects and the Dam Project are summarised below:

(a) Road Project I was terminated and PT Hanjungin had returned to the Company the investment amount of S$1 million and the Company's share of expected profit of S$20,000.

(b) Road Project II was terminated and the amount owing from PT Hanjungin of S$0.9 million was consolidated into the Restructured Loan.

(c) Dam Project was terminated and S$3 million out of S$4 million was returned to the Company, and the balance S$1 million was consolidated into the Restructured Loan.

The above investment amounts for the Road Projects and the Dam Project were initially classified as available-for-sale financial assets in the Group's balance sheet for FY2016 but was subsequently reclassified as other receivables upon consolidation into the Restructured Loan in FY2017.

During the announcements of the Road Projects and Dam Project between 16 November 2015 and 23 March 2016, the NAV of the Group was between S$39.2 million and S$41.4 million. The aggregate committed investment amount for the Road Projects and Dam Project of S$8 million represented approximately 20% of the NAV of the Group. However, we note that the Company's then market capitalization was between S$3.2 million and S$3.7 million, and the aggregate

committed investment amount of S$8 million had represented more than two times of the market capitalization of the Company.

It was disclosed in the Company's annual reports for FY2016 and FY2017 that the investment amounts for the Road Projects and the Dam Project were collateralised by the same Kupang Land collateralised by the RCL loans.

However, we note that the participation agreements for the Road Projects and the Dam Project made no mention of the Kupang Land being subject to as collateral for these investment amounts.

The Company concurred with our findings and acknowledged that the disclosures in the annual reports were erroneous.

However, pursuant to our interview with the External Auditors on 18 July 2019, the External Auditors had informed us that there was a side letter from PT Hanjungin to clarify the above and we should obtain the above letter directly from the Company. We have subsequently obtained the above letter dated 29 August 2016 from the Company which was issued by PT Hanjungin to MGR, the content of which is extracted below:

> "*Re: Land Pledge*
>
> *Pursuant to the Land Collateral Agreement dated 22 May 2015, we agree to extend the pledge land and its recoverable value to cover ALL existing and future collaboration agreements entered into between us and MEG Global Resources Limited.*"

6.4 Restructured Loan

6.4.1 On 31 August 2017, the Company announced that MGR had entered into the Deed with PT Hanjungin to consolidate the amount of outstanding loans and interest owing by PT Hanjungin to MGR in relation to the Kupang Land project (S$5.0 million), Road project II (S$0.9 million) and the Dam Project (S$1.0 million) into the Restructured Loan, totaling S$7.4 million.

The Restructured Loan is to be repaid on or before 31 August 2020 ("**Maturity Date**") together with accrued interests at 5% per annum on the outstanding principal amount of the loan payable semi-annually on every 31 August and 28 February until the Maturity Date and 7% per annum (or 21% for 3 years) on the outstanding principal amount of the loan payable on the Maturity Date.

The Company had disclosed in the announcement that as collateral for the Deed, PT Hanjungin had pledged 13.5 hectares of land title and 50 certificates of property title for the Kupang property development project to MGR.

Based on our review, we note that the collateral for the Deed pertains to 50 certificates of property title as set out in Schedule 1 of the Deed. The Deed was silent on the 13.5 hectares of land title. We also note that the land title has been amended from 15 hectares to 14 hectares following the sub-division of the land as explained further below.

Upon our highlighting of the above, Management informed us that the Company is presently arranging for a supplemental document with PT Hanjungin to confirm that the Deed is also collateralised on the land measuring 14 hectares. Management also highlighted that in the event that the Company is successful in negotiating with PT Hanjungin for the settlement of the outstanding debts owed to the Company, then the proposed supplemental document will not be necessary.

The piece of land was also referenced below as 130,000 sq m and 13.5 hectares but eventually the land title has been amended as 140,363 sq m which is equivalent to 14 hectares.

In the Company's results announcement for 1QFY2018 released on 31 October 2017, in relation to the update of the investment with PT Hanjungin, the Company had disclosed that it had increased the collateral provided on the Restructured Loan as announced on 31 August 2017 and PT Hanjungin had, on 25 October 2017, won a tender to supply 40 units of the properties to the Ministry of Education, Kupang targeted to be fulfilled by December 2017.

The Company had obtained a legal opinion from the Indonesian Lawyers on 26 September 2017 on the enforceability of the collateral for the Deed, as the original land certificate on the Kupang Land had been split.

Following the entry into the Land Collateral Agreement on 22 May 2015, PT Hanjungin had granted the power of attorney to Mr Rudy Santoso the authority or power of attorney to sell the Kupang Land with the land area of 150,000 sq m registered in the name of PT Hanjungin ("**Original Land Certificate**"). The Indonesian Lawyers had on 15 September 2016 given a legal opinion on the enforceability of the power of attorney and had opined that, *inter alia*, the power of attorney constitutes a legal, valid and binding document.

In the Indonesian Lawyers' legal opinion, it was disclosed that subsequently, the Original Land Certificate had been split into 101 certificates consisting of (a) the Original Land Certificate with the original land area reduced from 150,000 sq m to 130,000 sq m ("**New Land Certificate**") and (b) 100 certificates with smaller size area, representing the 100 residential units that were being built on the land ("**Smaller Size Land Certificates**"). The New Land Certificate and 50 Smaller Size Land Certificates are held by the Company and the balance 50 certificates were returned to PT Hanjungin for sale. The Indonesian Lawyers had on 26 September 2017 given a legal opinion on the enforceability of the power of attorney and had opined that:

(i) The power of attorney remains a legal, valid and binding document against PT Hanjungin notwithstanding that the Original Land Certificate had been reduced in size;

(ii) The power of attorney is not applicable to the 50 Smaller Size Land Certificates held by the Company; and

(iii) There are no encumbrances registered on the New Land Certificate and the 50 Smaller Size Land Certificates held by the Company.

In connection with the legal dispute on the Kupang Land described below, the Company had also sought legal opinion from the Indonesian Lawyers on the status of the security on the Kupang Land and the Indonesian Lawyers had, on 26 September 2017, advised that the Company would need to obtain new power of attorney to sell the 50 Smaller Size Land Certificates if it wishes to sell the said land without involvement of PT Hanjungin or direct PT Hanjungin to sell the said land and proceeds applied towards the repayment of amount owing to the Company.

Management had updated that they did not proceed to obtain the new power of attorney for the 50 Smaller Size Land Certificates as presently, the Company is negotiating with PT Hanjungin for the transfer of the land title for the remaining 13.5 hectares as full settlement of the amount owed by PT Hanjungin under the Deed and the Company would return the 50 Smaller Size Land Certificates to PT Hanjungin. Subject to the outcome of the legal disputes, if the above materializes, the Company will make a write-back of the impaired amount based on the market valuation of the land.

We have also obtained a copy of the New Land Certificate and noted that the area of the reduced Kupang Land is 140,363 sq m and not 13.5 hectares (equivalent to 135,000 sq m) as stated in the Company's announcement nor 130,000 sq m as stated in the legal opinion dated 15 September 2016 from the Indonesian Lawyers.

6.4.2 We note that by August 2015, S$5 million had been disbursed by the Company for the Kupang Land project and by April 2016, another S$4.9 million had been disbursed for Road Project II and the Dam Project. As the projects were eventually terminated, S$3 million out of the S$4 million disbursed for the Dam Project was returned to the Company in October 2016 as PT Hanjungin

had spent the remaining S$1 million on heavy equipment and working capital for the Dam Project as disclosed in the Company's announcement dated 21 September 2016. The remaining outstanding amounts owing from PT Hanjungin were then consolidated into the Restructured Loan. Thus far, the Company had not announced the amount of funds utilized by PT Hanjungin for the Kupang Land project.

We note that based on RHP's valuation report dated 29 May 2017, the valuation of the 100 housing units based on replacement cost method was approximately Rp4 billion (S$0.4 million). On the assumption that the actual cost to build the 100 housing units approximates the replacement cost of S$0.4 million, there should be a balance of S$4.6 million left from the S$5 million disbursed by the Company to PT Hanjungin.

Management informed us that the balance of S$4.6 million for the Kupang Land project and the amount of S$0.9 million disbursed for Road Project II were spent by PT Hanjunjin on material purchases, equipment purchases, staff salaries and for working capital.

6.5 Legal Dispute on the Kupang Land

On 28 May 2018, the Company announced that it had received a formal notification from PT Hanjungin on 23 May 2018 that the land which encompasses the development site in Kupang was subject to a dispute between third parties to which neither the Company nor PT Hanjungin was a party to the dispute ("**Case No. 172**" dated 27 July 2017). The dispute was on the larger land parcel of 75 hectares which encompasses the 15 hectares of Kupang Land that PT Hanjungin was currently developing.

PT Hanjungin had acquired the Kupang Land from the heirs of the late Frans Foes ("**Defendants**"). The Defendants had acquired the land from Frans Foes by way of grant based on the Deed of Transfer dated 5 January 1984. It appeared that the late Frans Foes had other wife and from such wife 5 children ("**Plaintiffs**").

In the Case No. 172, the Plaintiffs are claiming that they are also entitled to half of the land and sought relief that the Deed of Transfer dated 5 January 1984 should be null and void. On 7 May 2018, the Kupang District Court had rejected the case. On 18 May 2018, the Plaintiffs filed an appeal to the High Court of Nusa Tenggara Timur on the said judgement which is still pending.

On 6 August 2018, the Company further announced that it had received a legal opinion from its Indonesian Lawyers dated 3 August 2018 in relation to the legal dispute on the land, that there was another lawsuit claiming a right to the land ("**Case No. 149**" dated 25 June 2018) to which PT Hanjungin had become a party to the legal dispute. Two groups of parties are disputing the rights to the 75 hectares of land.

In the Case No. 149, another heir of the late Frans Foes claimed a right over the land and the lawsuit had made PT Hanjungin as co-defendant together with other heirs and related parties. The case is still pending.

The Indonesian Lawyers had advised that there is a risk on the part of PT Hanjungin if the claim by the plaintiffs is successful. Case No. 149 may pose significant difficulties for the Company to recover the amount owing from PT Hanjungin as PT Hanjungin may encounter significant difficulties in marketing its property development or disposing the 15 hectares of land entirely, as any potential buyers will be wary of the potential risks involved.

As a result, the Company had made full provision on the outstanding receivable of S$7.3 million owing from PT Hanjungin for FY2018.

As at the Review Date, Management updated that the Company is in the process of obtaining a legal opinion on the outstanding legal case from its Indonesian Lawyers.

6.6 Company's responses to SGX-ST's and Sponsor's queries on 12 October 2018

The Company had on 12 October 2018 responded to SGX-ST's and Sponsor's queries on various matters including the "Loans to Indonesian contractor, PT Hanjungin".

Our review of these responses based on our findings on the matter and our understanding from Company are set out below:

(a) Company's responses to query 1. The Company was of the view that PT Hanjungin should be given some time to repay the Restructured Loan and such loan is collateralised on the Kupang Land, to which the Company had quoted Colliers International's independent valuation of S$5 million for the raw land and S$16 million for the gross development value for the completed project, that the property development remains a potentially good project and terminating the project immediately was not in the interests of the Group.

As pointed out in Section 6.2.4 above, Colliers International was not the independent valuer. Hence, the Company had misquoted the valuer's name.

The status of the project as mentioned in the valuer's report (i.e. that the construction of the 100 residential units had been put on hold) and our comments on the gross development value of the project are also set out in Section 6.2.4 above.

(b) Company's responses to query 2. The Company had responded that save for some interest received from PT Hanjungin, PT Hanjungin had not kept up with the repayment terms, and so the Company was looking into enforcement of the security. The Company had mentioned that PT Hanjungin had demonstrated themselves to be reliable partners to date, and had won the tender to sell 40 housing units on 31 October 2017 and that PT Hanjungin should be given time to sell the properties.

However, we note that the Company was aware that the sale of the 40 housing units was not completed possibly due to the legal disputes over the Kupang Land but Management had not updated the status of the above tender for the 40 housing units in its subsequent announcements or responses in relation to the Kupang Land project up to the Review Date.

(c) Company's responses to queries 3. The Company had responded that in view of the legal disputes over the Kupang Land, the Board was deliberating on the options of taking immediate possession of the collaterals and selling to any interested buyer or to wait out on the conclusion of the legal disputes. The Company had made reference to getting stronger collateral by also getting a power of attorney in relation to the 50 Smaller Size Land Certificates pending local Indonesian notary process.

We note that the Deed as it presently drafted does not include collateral on the Kupang Land, which Management says it intends to get a supplemental document to rectify this, and the Indonesian Lawyers had highlighted that collateral on the 50 Smaller Size Land Certificates requires the execution of the power of attorney, which is still outstanding.

Management also says it is negotiating with PT Hanjungin for full settlement of the Restructured Loan.

(d) Company's responses to query 4. The Company had responded that it had conducted due diligence on PT Hanjungin based mainly on their past projects and list of potential contracts prior to agreeing to participate in the relevant projects. The Company had also carried out continuous due diligence and review by conducting site visits to track the progress of the projects. The Board was also of the view that Road Project I was successful as the Company had recovered its investment of S$1 million with approximately S$0.02 million in profits. The Company acknowledged Road Project II and the Dam Project are failed projects and the outstanding investment amounts from these projects were consolidated into the Restructured Loan.

Based on our review as set out in Section 6.3, Road Project I was terminated and Management confirmed that the Road Project I was only partially completed. As the Company managed to recover its investment amount of S$1 million with some profit of S$20,000, the Company had viewed the project as "successful".

(e) Company's responses to query 5. The Company had responded by giving the rationale and strategy of the RCL loan with the upside potential of the equity conversion feature. The Company continued to state that the said loan has been extended to 31 August 2020 and due to the legal disputes, the Company is considering alternatives to recover the said loan including exercising the power of attorney to sell the collaterals.
The above disclosure that the said loan has been extended to 31 August 2020 is inaccurate as it is the Restructured Loan (to replace the RCL loan and consolidate all outstanding loans) that was entered into on 31 August 2017 and which had a repayment due date on 31 August 2020. In addition, unlike the RCL, the Restructured Loan does not have any equity conversion feature. As at the Review Date, the Company had not exercise the power of attorney to sell the Kupang Land. As at the Review Date, the collateral on the Kupang Land pursuant to the Deed for the Restructured Loan and power of attorney on the 50 Smaller Size Land Certificates are still outstanding matters.

(f) Company's responses to query 6. The Company confirmed that PT Hanjungin still legally owns the Kupang Land as the legal disputes are still ongoing.

As at the Review Date, the Company seeking formal legal opinion from its Indonesia lawyers on the outcome of the legal disputes on the land.

***Source*:**

(1) Directors' resolutions in writing passed pursuant to the Company's articles of association dated 1 April 2015, 22 May 2015, 16 November 2015, 1 February 2016, 22 March 2016, 30 May 2016 and 30 June 2018;
(2) Company's circular to Shareholders dated 14 October 2015 in relation to (i) the proposed subscription of 2,700,000 new ordinary shares in the capital of Flagship Ecosystems Pte. Ltd.; and (ii) the proposed diversification of the Group's business to include: (A) Property and infrastructure asset development, operation and management; and (B) Investing and participating in the minerals and natural resources sector;
(3) Company's announcements dated 10 April 2015, 5 May 2015, 22 May 2015, 16 November 2015, 1 February 2015, 23 March 2016, 18 May 2016, 1 June 2016, 21 September 2016, 31 August 2017, 28 May 2018, 6 August 2018 and 28 June 2019;
(4) Limited legal due diligence report on PT Hanjuingin prepared by the Indonesian Lawyers;
(5) Company's annual reports for FY2006, FY2016, FY2017 and FY2018;
(6) Redeemable convertible loan agreement between the Company and PT Hanjungin dated 22 May 2015;
(7) Authorisation letter prepared by PT Hanjungin to the Company to remit S$1 million in relation to the RCL to Indo Energy Pte Ltd;
(8) Business profile of Indo Energy Pte Ltd obtained from ACRA dated 11 June 2019;
(9) Business profile of Indo Energy Holdings Pte Ltd obtained from ACRA dated 15 August 2019;
(10) Bank remittance advices from the Company to Indo Energy Pte Ltd dated 26 May 2015;
(11) Bank remittance advices from the Company to PT Hanjungin dated 26 May 2015, 10 July 2015, 29 July 2015, 12 August 2015, 16 November 2015, 21 December 2015, 2 February 2016, 8 April 2016, 19 April 2016 and 25 April 2016;
(12) PT Hanjungin build 1,000 houses. (2009, July 27). POS-KUPANG.com. Retrieved from https://kupang.tribunnews.com/2009/07/27/pt-hanjung-in-bangun-1000-rumah;
(13) Land Collateral Agreement for the Kupang Land project dated 22 May 2015;
(14) Power of attorney to sell dated 27 June 2016;
(15) Legal opinion in relation to the enforceability of the Power of Attorney to sell No. 2 dated 15 September 2016;
(16) Legal opinion with regards to the enforceability of the Power of Attorney to sell in relation to the split of the land certificate dated 26 September 2017;
(17) Legal opinion on the Company's loan to PT Hanjungin dated 3 August 2018;
(18) Email correspondences between Management and Sponsor dated 21 May 2015;
(19) Letter of engagement prepared for the Company by Colliers (S) dated 5 May 2015 and 26 April 2017;
(20) Independent valuation report prepared for the Company by KJPP Hendra Gunawan dan Rekan dated 8 May 2015;
(21) Independent valuation report prepared for the Company by RHP dated 17 July 2017;
(22) Participation agreements between the Company and PT Hanjungin in relation to Road Project 1, Road Project 2 and Dam Project dated 16 November 2015, 1 February 2016 and 23 March 2016 respectively;
(23) Company's minutes of Directors' meeting dated 7 May 2015 and 20 August 2015;
(24) Company's minutes of AC meeting dated 20 August 2015, 5 November 2015 and 8 May 2017;
(25) Deed of acknowledgement of indebtness between the Company and PT Hanjungin dated 31 August 2017;
(26) Original Land Certificate relating to the Kupang Land;

(27) New Land Certificate relating to the Kupang Land; and
(28) Letter from PT Hanjungin to MGR in relation to the pledge of land to cover all collaboration agreements.

6.7 Interview notes with the Directors

The Directors who had approved the loans to PT Hanjungin, with the input from key Management, were:

Directors	Key Management
Kupang Land project (22 May 2015)	
Mr Kushairi Bin Zaidel	Mr Luke Ho, CFO and Interim CEO
Ms Seet Chor Hoon	
Mr Goh Boon Kok (ceased as Director on 2 July 2015)	
Road Projects and Dam Project (16 Nov 2015, 1 February 2016 and 23 March 2016)	
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr John Ong (appointed on 30 June 2015)	
Mr Nick Ong (appointed on 2 November 2015)	

The Directors and key Management who had overseen the projects with PT Hanjungin (since 22 May 2015) until the full impairment of the investment amounts as at 30 June 2018 were:

Directors	Key Management
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr John Ong	
Mr Nick Ong	

We have interviewed the relevant Directors on the following, and our interview notes with them are set out in Appendix C to this Report:

S/N	Queries	Comments from the Directors
1.	With reference to Section 6.2.3, it was highlighted by the Indonesian Lawyers that the Land Collateral Agreement was not equivalent to nor executed to give effect of a first priority mortgage on the Kupang Land. Given that the Board was satisfied with the Indonesian Lawyers legal opinion, what was the basis for not disclosing the above fact in the Company's announcements and annual report?	
2.	Given the current status of the amount owing from PT Hanjungin even though the amount has been fully impaired, what measures does the Board intend to take: • To recover the monies owing from PT Hanjungin • Update Shareholders on the status of recovery of the monies • Post mortem analysis of the transaction	

6.8 Interview notes with Sponsor

We have interviewed the Sponsor on the following, and our interview notes with them are set out in Appendix C to this Report:

S/N	Queries	Comments from Sponsor
1.	With reference to Section 6.2.3, it was highlighted by the Indonesian Lawyers that the Land Collateral Agreement was not equivalent to nor executed to give effect of a first priority mortgage on the Kupang Land. Were you aware of the difference above? Do you think the above difference should be announced?	

6.9 Interview notes with External Auditors

We have interviewed the External Auditors on the following. However, consent was not granted by Moore Stephens to attach our interview notes with them in this Report.

S/N	Queries	Comments from External Auditors
1.	We note that you had initially expressed dissatisfaction over the Land Collateral Agreement and had recommended a charge over the Kupang Land. However, you had not pursued your recommendation after meeting the Indonesian Lawyers. In addition, the Company had not made a distinction of the nature of the collateral offered by the Land Collateral Agreement as compared to a charge over the land in the disclosures in its annual reports for FY2016 to FY2018. What had changed to subsequently support the reason for not pursuing your recommendation for the charge on the land? What was the basis of not disclosure the above in the notes of accounts in the annual reports for FY2016 to FY2018?	
2.	With reference to Section 6.3, the Company had disclosed in the annual reports for FY2016 and FY2017 that the Road Projects and Dam Project were collateralized by the Kupang Land, when in fact, they were not and the Company had subsequently acknowledged it. What were the steps undertaken by you as the auditor, before agreeing to the disclosures in the notes of accounts of the Company for FY2016 and FY2017.	

6.10 Summary of our recommendations in relation to the transaction "Loans to Indonesian contractor, PT Hanjungin" and Directors/Management's responses

From our review of the above transaction, we have set out below key areas for the Company's consideration and which we would recommend the Company to adopt/incorporate in its Investment Policy going forward:

S/N	Recommendations
1.	If there are any material changes to the proposed terms/structure of investment previously announced, the Company ought to disclose in their subsequent announcement the material changes and the rationale behind the changes.

S/N	Recommendations
2.	The Company should appoint suitable lawyers to advise on the transaction including due diligence, structure, terms, enforceability of collateral, conditions of equity conversion, accuracy and disclosure of material information in the Company's public documents e.g. announcements, and to advise the Company on the findings of overseas legal opinions/due diligence. If necessary due to the lack of experienced staffing, the Company should also appoint external adviser to evaluate the commercial terms of the transaction, due diligence check on the counterparty and due diligence check on the proposed transaction.
3.	The Company should follow up on the findings of the due diligence work carried out. Management should highlight the findings of the due diligence to the Board and deliberations of the Board should be minuted on how the proposed project should be proceeded with.
4.	The Company should consult its legal adviser, its Sponsor, and if necessary, the SGX RegCo, on the interpretation of the Catalist Rules e.g. on whether Chapter 10 of the Catalist Rules applies to the transaction, on whether the proposed transaction is an existing core business of the Group, taking into consideration the size of the transaction, the nature of the business and the funding structure for the investment. The Company had interpreted the extension of loans is not an investment and therefore Chapter 10 of the Catalist Rules which pertains to acquisition does not apply, and the Kupang Land project is an existing core business of the Company (formerly known as Strike Engineering). However, the Company had not considered that the extension of loans, i.e. money lending is also not an existing core business of the Company. The Company had sought Shareholders' approval to diversify into Property Business subsequent to the announcement of the Kupang Land project. However, the Company did not seek ractification of the project at that EGM.
5.	The Company should have close monitoring of funds utilized by its joint venture partners and obtain periodic progress reports on the transaction.
6.	The Company should disburse monies only to approved parties under the terms of contract and not to unknown parties at the instructions of the contracting party. In addition, all payments should be supported by invoices and/or purpose of payments should be specified. In the transactions with PT Hanjungin, the Company had made upfront lump sum payments to PT Hanjungin and the Company had allowed PT Hanjungin free discretion on the use of funds. The Company had reasoned that it is reasonable to rely on the expertise and experience of PT Hangunjin to manage its own business and did not enquire into the operations. This would be more like a passive investment. In which case, the Company should assess internally before each transaction whether: (a) it wish to make the investment as a passive investment after evaluating the risk-reward involved; or (b) it wish to embark on the investment as a core business, in which case the Company should ensure that it has sufficient staffing to monitor and oversee the project.
7.	The Company should understand the terms of engagement with the coordinating valuer and ensure that the name of the actual valuer signing off the valuation report is disclosed as the valuer instead of the coordinating valuer. In the case of a valuer who is an associate or member of an international group of valuers, the Company should disclose the fact as is, to avoid giving misleading information.

S/N	Recommendations
8.	The Company had disclosed the gross development value of the project on a completed basis even though there is no immediate visibility of completion and the valuer's report had actually shown that construction had been put on hold for some time. The Company should avoid making disclosure of the gross development value given the above circumstances or otherwise make a more complete disclosure of the circumstances to avoid giving misleading impression of the project.
9.	The Company should carry out proper checks to ensure that information disclosed in announcements and in its annual reports are accurate and are substantiated. e.g. the disclosures in the annual reports for FY2016 and FY2017 that the investment amounts for the Road Projects and Dam Project were collaterised by the same Kupang Land collateralized by the RCL loans were wrong as the participation agreement for Road Projects and Dam Project made no mention of the collateral on the Kupang Land. The Company had initially acknowledged that the disclosures were erroneous but realised later that there was a subsequent side letter from PT Hanjungin dated 29 August 2016 following our interview with the External Auditors. e.g. the disclosure in the announcement that the Restructured Loan is collaterised on the 13.5 hectares of Kupang Land and the 50 Smaller Size Land Certificates is inaccurate as the Deed only disclosed collateral on the latter and is silent on the 13.5 hectares of Kupang Land, and the Company is presently arranging for a supplemental document to rectify it.

The relevant Directors have confirmed that they are agreeable to our recommendations set out above during their respective interviews.

7. JOINT INVESTMENT AGREEMENT WITH YANGTZE INVESTMENT PARTNERS

7.1 Overview

7.1.1 On 20 August 2015, the Company announced that it had, on the same day, entered into a joint investment agreement with Yangtze Investment Partners Limited ("**Yangtze**" or "**Yangtze Investment Partners**") to invest US$1 million (S$1.4 million based on the exchange rate of US$1:S$1.40) ("**Investment Amount**") for the investment in a potential initial public offering ("**IPO**") of a renewable energy company ("**Target Company**"). Yangtze is a company incorporated in Hong Kong and provides investment and advisory services.

The Company has stated in the announcement under "Rationale" that the joint investment with Yangtze would enable the Company to jointly invest in such an IPO with a company (*i.e. Yangtze*) which has professional experience and expertise in this area. Through the investment, the Company and Yangtze are looking to invest in a renewable energy company that is in the process of launching an IPO on the London Stock Exchange, which is expected to be completed between October and December 2015.

The announcement disclosed the following 3 salient terms of the agreement:

(a) Guaranteed repayment of investment sum

The Investment Amount shall be FULLY repaid if no investment has been made in relation to the IPO of the Target Company within THREE months from the date of the agreement. No interest shall be chargeable on the Investment Amount in this regard.

Management explained that the above was to ensure that the monies be returned by Yangtze to the Company if Yangtze had not invested the monies in the Target Company within the 3 months from the joint investment agreement.

However, Management further clarified that even after the monies have been invested in the Target Company, Yangtze will still guarantee repayment of the principal amount, that the above drafting of the joint investment agreement was not clear, but correspondences with Yangtze were clear on the guaranteed repayment of the Investment Sum.

(b) Profit sharing arrangement

In the event that the investment turns in a profit of more than 20% of the Investment Amount, Yangtze shall be entitled to 40% of the profit in excess of the initial 20% profit.

Management explained that the pre-IPO investment in the Target Company could potentially result in high trading profits upon the IPO of the Target Company as the IPO price is expected to be substantially higher than the pre-IPO entry price by the Company and that the IPO was imminent within the next 3 months. Hence, the profit guarantee from Yangtze on the initial 20% and the sharing arrangement with Yangtze if the profit is more than 20%. Management explained that if there is no IPO of the Target Company, then there is no profit to talk about in the first place. As the listing of the Target Company became more protracted, the Company granted multiple extensions to Yangtze on the 3-month repayment period.

However, Management further clarified that even if the listing of the Target Company does not proceed whether through a reverse takeover ("**RTO**") or IPO, Yangtze will still guarantee the 20% profit return on the Investment Amount. This is the Company's understanding with Yangtze even if they had omitted this in the joint investment agreement, as subsequent correspondences with Yangtze showed that Yangtze had acknowledged the amount owing to the Company to be US$1.2 million.

(c) Placement fee

In addition, in the event that the investment turns in a profit of more than 20% of the Investment Amount, Yangtze shall be entitled to a 2% placement fee based on the Investment Amount, i.e. US$20,000.

Although the terms were not clearly set out in the joint investment agreement, the Company held the understanding with Yangtze that regardless of the outcome of the investment in the Target Company, Yangtze will guarantee the repayment of (i) the Investment Amount of US$1 million; and (ii) a 20% profit on the Investment Amount to the Company, and that the omission of the above was an oversight in the drafting of the joint investment agreement.

The above guarantees on the investment and return on investment regardless of whether or not there is a successful listing of the Target Company seem unusual in a commercial transaction as it will mean that the Company bears no risk on the investment (other than foreign exchange risk between US$ vs S$, and the counter-party risk of Yangtze as the guarantor) and will still benefit from a 20% return on investment.

7.1.2 The Investment Amount was paid from the Notes Issue program as announced by the Company on 21 August 2015, a periodic announcement by the Company on the utilisation of the proceeds from the Notes Issue program. The Company had described the above investment as "investment in quoted equities".

As the IPO of the Target Company had not materialized yet at the time of the investment, it seems incorrect and/or premature for the Company to describe the joint investment with Yangtze as "investment in quoted equities". In addition, the joint investment agreement with Yangtze does not state the pre-IPO price per share in relation to the investment in the Target Company or the equity interest or number of shares that the Company will be entitled to hold in the Target Company when it becomes a listed company. Management explained that it is sufficient for the Company to know internally that its US$1 million will be equivalent to the number of shares in the Target Company at 10 pence each at the applicable exchange rate between US$ and £.

In the Company's annual report for FY2016, the Company had recorded the above as Joint Investment under Other Financial Assets, and had recognized full impairment on the investment in view of the uncertainty arising from the delays in the joint investment. The disclosure in the notes of the annual report did not reflect the Company's understanding with Yangtze on the guaranteed repayment of the Investment Amount and 20% profit guarantee regardless of the outcome of the listing of the Target Company.

At the time of the announcement of the joint investment with Yangtze on 20 August 2015, the latest publicly available NAV of the Group was S$33.4 million. The Investment Amount of S$1.4 million represented 4.2% of the NAV. However, we note that the Company's market capitalization was S$3.2 million as at 20 August 2015 and the Investment Amount of S$1.4 million had represented 43.8% of the market capitalization of the Company. The joint investment with Yangtze is therefore a material investment which requires more due diligence to be carried out by the Company and advice on the drafting of the investment agreement and other documents. Management explained that the Company did not seek any formal or informal advice and drafted the various documents internally.

As set out further in Section 7.2(b), the joint investment involves the injection of SoloPower Systems Holdings, Inc. ("**SoloPower**") into a London main market listed company called Opera Investments plc ("**Opera**") *via* a RTO which was announced by Opera on 20 July 2015. Management explained that they had carried out due diligence by reviewing the public announcement by Opera, that there was in fact such a proposed RTO involving the Target Company, and had sought the approval of the Board for the joint investment with Yangtze. After due deliberation, the Board felt that the joint investment with Yangtze was a good opportunity with huge upside. Based on the information from Management, we would also add that the investment was protected on downside risk as Yangtze had guaranteed the investment of both principal and return at 20% on the Investment Amount over a 3-month period.

Although the proposed RTO exercise was announced by Opera on 20 July 2015, the Company did not disclose the relevant publicly available information of Opera and SoloPower in its announcement of its joint investment agreement with Yangtze on 20 August 2015.

Management explained that it did not evaluate the counter-party risk of Yangtze delivering the guarantee when called upon or any due diligence checks on Yangtze but had relied mainly on the announcement by Opera on the non-binding heads of terms agreement involving SoloPower as well as Management's familiarity with Mr Patric Lim, the director of Yangtze, as further elaborated in Section 7.2(b) below.

7.1.3 The Company had provided us with a copy of the joint investment agreement dated 20 August 2015. Based on the joint investment agreement, we noted that certain key terms were not disclosed in the announcement on 20 August 2015 which might have provided better clarity on the investment arrangement, and some others were probably wrongly included in the joint investment agreement:

(a) The Company was referred to as Investor and Yangtze as Advisor.

(b) The Investor was to invest US$1 million, being the Investment Amount, jointly with the Advisor for a 3-month period.

(c) The Investor agrees to invest the amount for the purpose of subscribing to the pre-IPO opportunities.

(d) The Advisor shall immediately deliver the securities from the investment to the Investor on each successful investment ("**Investment Notice**").

The Company had remitted funds of US$1 million according to the instruction of the Advisor on 21 August 2015 but did not take delivery of the securities. We noted in Section 7.2(b) below that the payment was to a party related to a shareholder of the Target Company.

Management explained that they take it that the Company is deemed to have made the investment in accordance with the joint investment agreement. However, the Company did not take delivery of the shares of the Target Company as it believes that such shares were issued to Yangtze and Yangtze will manage the disposal of the shares of the Target Company on behalf of the Company to realize the trading gains. Management explained that it was only interested in the trading gains on the shares of the Target Company and not a long term investment in the Target Company.

Management acknowledged that it was an investment in a failed IPO/RTO project and is looking to demand from Yangtze the return of the guaranteed Investment Amount and guaranteed profit.

(e) Clauses under events of default and representations and warranties made references to repayment of the loan amount whereupon the agreement shall be terminated, and reference to loaned securities to the Investor and equivalent securities to the Investor, as though the agreement was a share lending or loan agreement, when in fact it wass not.

There was no mention of remedy and imposition of penalty or cost if the Advisor failed to repay the guaranteed full amount of the Investment Amount and the 20% profit guarantee after the 3 months' period, and/or in the event of an extension of the repayment period.

The Company also did not carry out sufficient due diligence on the financial ability of Yangtze to fulfil its obligation to repay the Investment Amount and the profit guarantee, nor was the Company provided with any security or collateral to safeguard the Company's interest in the event of the non-repayment by Yangtze. Based on our findings set out in Section 7.2(b) below, Yangtze has a paid-up capital of only HK$10,000. Management

acknowledged that it is unfamiliar with Yangtze but knows Mr Patric Lim to be of significant financial means who would have the financial ability to fulfil the guarantee.

(f) The termination clause states that if the agreement is terminated by the Advisor, the Advisor shall make full repayment, within 7 business days, the Investment Amount to the Investor without interest and charges or fees whatsoever.

The above clause does not seem fair to the Company as it could override the guaranteed payment of the 20% profit on the Investment Amount after the investment has been made, based on the profit guarantee understanding between the Company and Yangtze although such profit guarantee terms were omitted in the drafting of the agreement.

The Company acknowledged that inaccuracies in the agreement could have been avoided and sufficient safeguards could have been provided if it had engaged an experienced lawyer to advise it on the matter.

7.1.4 The Company had extended the guaranteed repayment date with Yangtze on 4 occasions:

- the first extension from 20 November 2015 to 20 February 2016 (for about 3 months);
- the second extension to 30 June 2016 (for about 4 months);
- the third extension to 30 November 2016 (for 5 months); and
- the fourth extension to 31 May 2017 (for 6 months). On 31 May 2017, the Company and Yangtze agreed to mutually terminate the joint investment agreement.

The Company had announced that Yangtze shall repay US$1.2 million to the Company, being the aggregate of the principal sum of US$1 million and the 20% profit guarantee.

7.1.5 As disclosed in the Company's annual report for FY2016, notwithstanding the third extension to 30 November 2016, the Company had fully impaired the Investment Amount of S$1,407,500 as at 30 June 2016 in view of the uncertainty arising from the delays in the joint investment.

During FY2017, the guaranteed repayment was further extended to 31 May 2017* (fourth extension). On 31 May 2017, the Company had terminated the joint investment agreement. The Company had disclosed in the notes of accounts in the 2017 annual report that under the terms of the termination agreement, Yangtze shall repay the principal sum of the investment together with the Company's share of expected profits of approximately S$281,000 to the Company, that the Company's share of the expected profits had not been recognized as at 30 June 2017 in view of the uncertainty in the recoverability of the Investment Amount. The Company had, at the request of its auditors, reclassified the principal sum of the investment to other receivables and had provided allowance for full impairment on it. There was therefore no impact on the balance sheet and profit and loss statement of the Group arising from the reclassification.

* This was incorrectly disclosed as 31 March 2017 on page 125 of the Company's 2017 annual report.

The above disclosure in the notes of accounts in the 2017 annual report on the Company's share of expected profits of S$281,000 seems inaccurate as termination letter had referred to the 20% profit guarantee from Yangtze, S$281,000 being the 20% guaranteed return on the Investment Amount in S$.

The Investment Amount was fully impaired as at 30 June 2016 even though the Company had continued to grant the fourth extension to Yangtze to 31 May 2017 as the Company had based it on the announcement by Opera on 9 May 2016 on the termination of the non-binding heads of terms agreement on the RTO exercise.

At the advice of its auditors, the Company had reclassified the Investment Amount as other receivables with provision for full impairment for FY2017 mainly in view of the termination of the joint investment agreement with Yangtze. The Company had explained that such reclassification was not done for FY2016 because the joint investment agreement was still in place.

7.2 Company's responses to SGX-ST's and Sponsor's queries on 12 October 2018

The Company had on 12 October 2018 responded to SGX-ST's and Sponsor's queries on various matters including the "Joint investment agreement with Yangtze Investment Partners".

Our review of these responses based on our findings on the matter and our understanding from Company are set out below:

(a) Company's response to query 15. The Company had responded to the SGX-ST query that the amount of US$1.2 million, representing the principal amount and the profit guarantee, remains outstanding.

The amount has been outstanding for the last 3 years since 30 June 2016 when the Company had fully impaired the Investment Amount in its financial statements for FY2016.

The Company believes that it is entitled to the 20% profit guarantee payable by Yangtze as Yangtze had acknowledged it in the Company's termination letter with Yangtze dated 31 May 2017, even though it was omitted in the joint investment agreement. Management explained that it is still pursuing the outstanding receivable from Yangtze even though the Company had made full provision on the outstanding receivable.

(b) Company's response to query 16. The Company disclosed that the investment in the Target Company was to be made through Yangtze, who was the direct pre-IPO investor and introducer to the investment.

The Company responded that the Company would only receive payment in the event of the successful listing of the Target Company, and also confirmed that it was not stated in the agreement that if there was no successful listing of the Target Company, the Company would not receive cash at all.

Although the above responses from the Company seem contradictory, the Company held the belief that Yangtze would repay the guaranteed amount to the Company even if there was no successful listing of the Target Company.

Yangtze was one of the cornerstone investors of the Target Company. Based on the letter from Yangtze to the Company dated 19 August 2015, Yangtze was supposed to allocate up to US$2 million of the cornerstone tranche that was being offered to Yangtze to the Company for the IPO of SoloPower on the London Stock Exchange at 10 pence each subject to the terms of the profit sharing and the placement fees. The above letter was signed by Mr Patric Lim as a director of Yangtze.

Management had informed us that subsequent letter agreements between the Company and Yangtze were drafted by Management and signed off by Mr Patric Lim e.g. the several letters on the extension of the joint investment agreement and the letter on the termination of the joint investment agreement and confirmation of amount owing from Yangtze to the Company.

In the announcement by Opera on 20 July 2015, it had described Opera, *inter alia*, as listed in April 2015 in order to undertake one or more acquisitions of target companies or businesses in the natural resources sector. Opera was listed on the main market of the London Stock Exchange with a then market capitalisation of £1.7 million whose shares were then last traded at £0.099 each.

It also described, *inter alia*, that SoloPower is a portfolio company of Hudson Clean Energy Partners ("**Hudson**"), which is a leading global private equity firm, dedicated solely to investing in renewable power, alternative fuels, energy efficiency and storage. In the proposed RTO of SoloPower, Opera was to acquire SoloPower for a consideration of US$220 million to be satisfied by the issue of new shares in Opera to Hudson at £0.28 each, valuing the existing issued share capital of Opera at £4.8 million.

Based on our search on Yangtze from the Hong Kong Companies Registry, Yangtze was incorporated on 6 February 2012 and Mr Patric Lim (stated as Malaysian) is one of the 3 directors of Yangtze. The other 2 directors are Ms Kathleen Diana Swain (United States national) and U-Link (China) Limited (a corporate director). Yangtze has a paid-up share capital of HK$10,000 comprising 10,000 ordinary shares, of which 9,999 ordinary shares are held by U-Link (China) Limited (百汇(中国)有限公司). We were unable to identify the ultimate beneficiary holder of U-Link (China) Limited from our findings. Based on our queries, Management does not know Yangtze, the directors or shareholders of Yangtze except for Mr Patric Lim. Management had thought that Yangtze was owned by Mr Patric Lim. Mr Luke Ho had known Mr Patric Lim as a business associate in Malaysia since around 2013 and believed that Mr Patric Lim was someone with significant financial means.

The Investment Amount of US$1 million was remitted to Hudson SoloPower Holdings LLC's bank account with JP Morgan Chase Bank in the USA on 21 August 2015 at the instruction of Mr Patric Lim, and not to Yangtze. Management understands that Hudson SoloPower Holdings LLC is a party related to Hudson, a shareholder of SoloPower.

Mr Patric Lim, stated as a British national, is the sole shareholder of Thames Capital, who was involved in another transaction with the Company, that is, the disposal of the Company's holding of 9 million GCM shares in 2017. Further details are set out in Section 4 of this Report entitled "Disposal of GCM shares".

In the minutes of the Board meeting on 20 August 2015, Mr Luke Ho had briefed the Board on the joint investment with Yangtze, that (i) SoloPower is in the business of solar panels that are deemed flexible with wider coverage and lightweight compared to conventional solar panels, (ii) its 3 key management personnel (Americans) intend to inject SoloPower into a London main board company called Opera *via* a RTO and are proposing to raise equity funds of US$40 million, and (iii) through Yangtze, the Company is given an opportunity to participate US$1 million in the pre-IPO shares at 10 pence compared to the IPO price of 28 pence which is targeting to be listed on 5 October 2015.

However, the RTO exercise was delayed several times and eventually aborted in May 2016. The Company was informed that SoloPower was working on a potential IPO on NASDAQ instead. By the end of the Company's fourth extension to Yangtze on 31 May 2017, the Company and Yangtze had agreed to terminate their joint investment agreement on 31 May 2017.

Subsequently, Yangtze had advised the Company that SoloPower was targeting to apply for a new listing on NASDAQ in September 2017.

At the AC meeting on 1 February 2018, Mr Luke Ho updated that the new listing of SoloPower was unsuccessful and the Company is working with Yangtze to find buyers for the shares of SoloPower.

The Company had during 2018 and in the response on 12 October 2018 considered settling the amount owing from Yangtze by taking delivery of the solar panels for use in its microalgae facility in Kundang, Malaysia. As an update from the Company, this was deemed not ideal in view of the issues faced at the Microalgae Plant. Details on the Microalgae Project are set out in Section 10 of this Report.

As at the Review Date, Management intends to seek legal advice on a legal action against Yangtze for the outstanding amount owed to the Company.

Mr Patric Lim is also involved in another Selected Transaction with the Company, as the sole shareholder of Thames Capital, in the sale arrangement in February 2017 between Thames Capital and the Company on the disposal of the 9 million GCM shares. The Company had also mentioned that it intends to take legal action against Thames Capital

for the outstanding amount that it owed to the Company. Details on the Disposal of the GCM shares are set out in Section 4 of this Report.

(c) Company's response to query 18. The Company had responded that no interest was charged during the multiple extensions as the joint investment agreement did not provide for interest to be payable on outstanding amount if Yangtze did not pay up after the 3 months' period. The Company also felt that the 20% profit guarantee was sufficient and so did not demand for interest payable on the outstanding amount.

According to Management, the non-repayment of the guaranteed amount to the Company by the due date (that is, 31 May 2017) is a breach of the agreement by Yangtze and believed that the Company has a legal right to take action against Yangtze. As pointed out in Section 7.1.3(e) above, the agreement did not provide for any recourse or penalties for non-repayment or interest imposed on any extensions of repayment period. Management acknowledged that this could have been a drafting oversight as the Company had not sought any legal advice when entering into the joint investment agreement with Yangtze.

7.3 Findings and recommendations

From our review of the transaction, the Company should have appointed legal advisers to draft and advise on the joint investment agreement with Yangtze to ensure that:

(a) the counter-party, that is, Yangtze, is agreeable to guarantee both the repayment of the Investment Amount and the 20% profit regardless of the IPO status of the Target Company, if this is in fact the agreed commercial terms;

(b) irrelevant or non-applicable terms in the joint investment agreement such as clauses which relate to share lending or borrowing transactions are removed;

(c) due diligence on Yangtze, Mr Patric Lim and their financial abilities to honor the guarantee;

(d) provision of security or collateral to safeguard the interest of the Company in the event Yangtze breaches the terms of the guarantee;

(e) disclosures in the Company's announcement and annual reports are adequate and accurate;

(f) the repayment of amount owing from Yangtze is timely.

We note that the Company had expressed intentions to appoint a legal adviser to take legal action against Yangtze. The Company had similarly expressed intentions to take legal action against Thames Capital, where Patric Lim is also involved. As at the Review Date, the Company had not appointed the legal adviser in both cases.

The Company had acknowledged that it was an investment in a failed IPO/RTO project and looking to demand Yangtze for the repayment of the guaranteed amount. The Company had relied mainly on the representations of Mr Patric Lim and the announcement by Opera of a proposed RTO which was based on the non-binding terms of agreement. The Company should have carried out more detailed due diligence on the potential RTO before committing on the investment.

***Source*:**

(1) Company's announcements dated 11 May 2015, 20 August 2015, 21 August 2015, 9 November 2015, 19 February 2016, 14 June 2016, 30 November 2016, 31 May 2017 and 12 October 2018;
(2) Company's minutes of Directors' meeting dated 20 August 2015;
(3) Company's annual reports for FY2016 and FY2017;
(4) Joint investment agreement between Yangtze and the Company dated 20 August 2015;
(5) Opera's announcement on 20 July 2015;
(6) Company's letter to Yangtze in relation to the extension of the joint investment agreement dated 9 November 2015, 19 February 2016, 14 June 2016, 30 November 2016;

(7) Bank remittance advices from the Company to Hudson SoloPower Holdings LLC dated 21 August 2015;
(8) Company's letter to Yangtze in relation to the termination of the joint investment agreement dated 31 May 2017; and
(9) Annual return of Yangtze Investment Partner dated 6 February 2019 filed with the Hong Kong Companies Registry.

7.4 Interview notes with the Directors

The Directors who had approved the joint investment with Yangtze, with the input from key Management, were:

Directors	Key Management
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr John Ong	

The Directors and key Management who had overseen the joint investment with Yangtze (since 20 August 2015) until the termination of the joint investment agreement as at 31 May 2017 were:

Directors	Key Management
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr John Ong	
Mr Nick Ong (appointed on 2 November 2015)	

We have interviewed the relevant Directors on the following, and our interview notes with them are set out in Appendix C to this Report:

S/N	Queries	Comments from the Directors
1.	Given the current status of the amount owing from Yangtze, what measures does the Board intend to take: • To recover the monies owing from Yangtze (Mr Patric Lim, who is a director of Yangtze, is also involved in Thames Capital as its sole shareholder, which has outstanding amount owing to the Company in the Selected Transaction set out in Section 4 of this Report) • Update Shareholders on the status of recovery of the monies • Post mortem analysis of the transaction	

7.5 Interview with External Auditors

We have interviewed the External Auditors on the following. However, consent was not granted by Moore Stephens to attach our interview notes with them in this Report.

S/N	Queries	Comments from the External Auditors
1.	The Investment Amount was fully impaired in FY2016 and the reason given was the uncertainty arising from the delays in the joint investment. Were you aware that the Investment Amount and the 20% return on the Investment Amount were guaranteed by Yangtze? If so, what was the basis of the disclosure in the audited accounts?	

	If you had known of the guarantee, how would you have made the disclosures in the audited accounts for FY2016?	

7.6 Summary of our recommendations in relation to the transaction "Joint investment agreement with Yangtze Investment Partners" and Directors/Management's responses

From our review of the above transaction, we have set out below key areas for the Company's consideration and which we would recommend the Company to adopt/incorporate in its Investment Policy going forward:

S/N	Recommendation
1.	The Company should disburse monies only to approved parties under the terms of contract and not to unknown parties at the instructions of the contracting party. In addition, all payments should be supported by invoices and/or purpose of payments should be specified. e.g. the monies were not paid to Yangtze but to a party related to a shareholder of the Target Company to be reversed into Opera, a company listed on the London Stock Exchange.
2.	The Company should appoint suitable legal advisers to draft and advise on legal documents including the joint investment agreement to ensure that the agreed commercial terms are reflected, due diligence checks on the counterparty are conducted and that Company's interests are safeguarded by having a provision of security or collateral in the event of breach by the counterparty. e.g. the guarantee of Investment Amount and 20% return on the Investment Amount to the Company regardless of whether or not the IPO of the Target Company is successful e.g. due diligence check on the ability and the commitment of Yangtze to honor the guarantee.
3.	The Company should carry out proper due diligence checks on and evaluation of the potential pre-IPO investment and not rely solely on the representations of its counterparty. e.g. the Company had relied mainly on the public announcement of the proposed RTO by Opera.
4.	The Company should carry out proper checks to ensure that information disclosed in announcements and in its annual reports is complete, accurate and are substantiated. e.g. the Company had disclosed that the investment is for investing in a potential IPO of the Target Company but has also disclosed the joint investment as investment in quoted equities. As the investment is in a pre-IPO situation, describing as investment in quoted equities is incorrect. In fact, the Company is investing in a listed company, Opera, which is attempting to do a RTO with the Target Company. The proposed RTO was already announced by Opera on 20 July 2015 but the Company did not disclose these information in its joint investment with Yangtze on 20 August 2015. e.g. in the annual report for FY2017, the Company had disclosed that S$281,000 was the Company's share of expected profit in relation to the joint investment. This disclosure is inaccurate as this amount is the guaranteed return on its investment with Yangtze.

The relevant Directors have confirmed that they are agreeable to our recommendations set out above during their respective interviews.

8. PURCHASE OF COMPANY VEHICLE FOR CEO

8.1 Overview

8.1.1 The Company had purchased a motor vehicle (Jaguar XJ 2.0 model) for the use by Mr Luke Ho as a key management personnel of the Company in September 2015 at a cost of S$298,987. The vehicle was registered in his name and held in trust for the Company. At the time when the motor vehicle was bought, Mr Luke Ho was the CEO of the Company.

In the annual reports of the Company for FY2016, FY2017 and FY2018, the Company had disclosed in the notes to the accounts under Property, Plant and Equipment ("**PPE**") that the Group has a motor vehicle registered in the name of a key management personnel of the Company held in trust for the Group. The motor vehicle was to be depreciated over a period of 10 years on a straight-line basis in accordance with the accounting policies of the Group. The net book values of the motor vehicle as at the end of each of FY2016, FY2017 and FY2018 were as follows:

At the end of the financial year ended 30 June	Net book value ($)
FY2016	276,563
FY2017	246,664
FY2018	216,765

8.1.2 In the Business Times article on 26 June 2018 entitled "*Magnus Energy confirms former MD's lawsuit*", it was reported that Mr Charles Madhavan, the former Managing Director of the Company, had raised concerns about certain past transactions made by the Company including the purchase of a luxury car bought for and registered in the name of an unidentified key management personnel and held in trust for the Group, and that he had suggested to the board of Magnus to liquidate the car.

The Company had responded to the above *via* SGXNET announcement on 12 October 2018 among responses to other queries raised by Mr Charles Madhavan, the SGX-ST and the Sponsor. The key points made by the Company in relation to the purchase of the motor vehicle were as follows:

(a) the motor vehicle was purchased in 2015 as part of the total compensation and benefits package for the CEO;

(b) the motor vehicle was registered under the name of Mr Luke Ho (CEO), and Mr Luke Ho had provided the Company with a declaration of trust for the car;

(c) the motor vehicle was used for the affairs of the Group; and

(d) the Board had disagreed with the suggestion that the Company should sell the car to defray the expenses of the Company, and was of the view that the motor vehicle was better deployed for its current use instead of being sold based on the approximate market value of 3-year old car of S$150,000 compared to the net book value of the car of approximately S$240,000.

8.2 Our review of the purchase of company vehicle for CEO

8.2.1 Mr Luke Ho was the Regional Finance Manager of the Group from September 2006 to September 2009, CFO of the Group from September 2009 to September 2011, and Company Secretary and Senior Vice President (Finance) of ISR Capital Limited ("**ISR**") from October 2011 to June 2012 before being re-appointed as CFO and Company Secretary of the Group from June 2012 to June 2015. He was made Interim COO on 1 July 2014, Interim CEO on 1 October 2014 and CEO on 2 June 2015. His appointment as COO and CEO was made following the resignations of the

former COO, Mr Koh Teng Kiat, on 31 May 2014 and the former Managing Director, Mr Lim Kuan Yew, on 30 September 2014.

8.2.2 We note that the Company had provided a company car with a cost not exceeding S$200,000 to Mr Koh Teng Kiat as part of his employment contract dated 19 September 2007 and subsequently renewed on 1 July 2010 and 1 July 2013.

When Mr Luke Ho was appointed as Interim COO on 1 July 2014, Mr Lim Kuan Yew (the then Managing Director of the Company) had proposed and the Remuneration Committee ("**RC**") had, on 23 June 2014, approved of the revised remuneration package for Mr Luke Ho including a company car with a cost not exceeding S$200,000. The Remuneration Committee comprises Mr Idris Bin Adullah@Das Murthy, Mr Goh Boon Kok and Mr Kushairi Bin Zaidel.

The Board also approved the above on 23 June 2014. The Board comprised of members of the RC and Mr Lim Kuan Yew.

Notwithstanding the above approvals, the Company did not proceed to purchase the motor vehicle for Mr Luke Ho at that time.

8.2.3 When Mr Luke Ho became the Interim CEO and CEO on 1 October 2014 and 2 June 2015 respectively, his remuneration package was only subsequently formalized on 21 September 2015. His revised remuneration package had included the provision of a company car for a value of up to S$300,000.

The RC and the Board had, on 21 September 2015, approved the revised remuneration package for Mr Luke Ho. The RC and the Board each comprised of Mr Kushairi Bin Zaidel, Ms Seet Chor Hoon and Mr Ong Chin Chuan.

The Company had purchased the Jaguar XJ 2.0 for Mr Luke Ho in September 2015 at a cost of S$298,987.

We note that the Company had provided a motor vehicle with a cost not exceeding S$200,000 for Mr Lim Kuan Yew pursuant to his employment contract dated 14 August 2008 as the Managing Director of the Company.

8.2.4 Ms Seet Chor Hoon (as Chairman of the RC) and Mr Luke Ho had justified that the amount of S$300,000 for the provision of company vehicle for Mr Luke Ho as follows:

(a) COE and car prices had increased during the material period. In comparison, at that time a Mercedes E class or similar class would have cost more than S$250,000; and

(b) the higher value car would provide a better image for the Company as the vehicle is utilised for potential business partners and investors.

8.2.5 Ms Seet Chor Hoon (as Chairman of the RC) and Mr Luke Ho had also justified retaining the existing car based on the following:

(a) that selling the car would result in a loss on disposal of the car as the net book value of the car (of approximately S$216,000) was higher than the current market value for the car of approximately S$150,000;

(b) a replacement vehicle might be required where the Company would end up incurring more as a result; and

(c) dispensing with the car altogether would not be fair to the CEO as the company vehicle was part of the approved remuneration package for the CEO consistent with previous senior management, COO and the Managing Director.

8.2.6 Overall, we note that the Company had carried out the following:

(a) sought the approvals of the RC and Board for the remuneration package and revised remuneration package of the CEO; and

(b) made the disclosures in the Company's annual reports of the provision of motor vehicle for a key management personnel of the Company who has held it in trust for the Company.

By the time the company vehicle was provided to Mr Luke Ho in September 2015, Mr Luke Ho was the most senior and key management personnel of the Company as both the COO and Managing Director had resigned, and the Board had comprised only non-executive directors. Mr Luke Ho is the CEO but not a member of the Board.

***Source*:**

(1) Company's annual reports for FY2010, FY2013, FY2016, FY2017 and FY2018;
(2) Lee, M. (2018, June 26). Magnus Energy confirms former MD's lawsuit. The Business Times;
(3) Company's announcements dated 12 October 2018; and
(4) Company's Directors' resolutions in writing passed pursuant to the Company's articles of association dated 23 June 2014 and 21 September 2015.

8.3 The Directors (who were also members of the RC) who had, on 21 September 2015, approved the revised remuneration package for Mr Luke Ho including the provision of the company car, were:

Directors	**Key Management**
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr John Ong (ceased as Director on 30 June 2019)	

The Directors and key Management who have oversight of the company vehicle since the purchase on 21 September 2015 until the Review Date are:

Directors	**Key Management**
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr John Ong (ceased as Director on 30 June 2019)	
Mr Nick Ong (appointed as Director on 2 November 2015)	
Mr Charles Madhavan (appointed as Director on 2 April 2018 and ceased as Director on 30 October 2018)	
Mr Wee Liang Hiam (appointed as Director on 1 June 2019)	

We have no further queries on the transaction and have not found any area that require additional recommended internal controls in this respect.

9. CONVERTIBLE LOAN WITH REVENUE ANCHOR SDN BHD

9.1 Overview

9.1.1 On 28 April 2016, the Company announced that its wholly-owned subsidiary, MGV, had on 28 April 2015*, entered into a deed of assignment with Revenue Anchor Sdn Bhd ("**Revenue Anchor**") pursuant to which, Revenue Anchor shall assign to MGV the benefit of the loan of £510,000 ("**Assigned Debt**") owing from GCM to Revenue Anchor ("**Assignment**"). £510,000 was equivalent to approximately S$1 million based on the exchange rate of £1:S$1.9652 as at 28 April 2016.

* *The Company admitted that the year of 2015 above is a typo error. It should have been 2016. We also sighted the deed of assignment dated 28 April 2016.*

9.1.2 Prior to the Assignment, MGV held 9,427,280 GCM shares, representing 15% equity interest in GCM. GCM was a London-based mining company quoted on AIM, the London Alternative Investment Market.

GCM had a convertible loan agreement dated 29 May 2015 with Revenue Anchor, a Malaysian-based investor, for a loan of up to £3 million from Revenue Anchor to GCM. The loan was a 2-year unsecured financing facility with no interest payable, and was convertible into new GCM shares at 11 pence for each GCM share, provided that Revenue Anchor's shareholding interest in GCM does not reach or exceed 30% of GCM's issued share capital at that time. Upon conversion, the new GCM shares cannot be disposed of for a period of 2 years, unless prior written consent from GCM is obtained. The actual amount of loan extended by Revenue Anchor to GCM pursuant to the convertible loan agreement was £510,000, which was the subject of the Assigned Debt.

Revenue Anchor was one of the financing partners of GCM and the funds raised was for GCM to fund its Phulbari Coalmine project in Bangladesh. GCM was then in the process of applying for regulatory permits to commence production of a coal mine located in the Phulbari region of Dinajpur District, Bangladesh.

The Company believed that:

(a) the £510,000 Assigned Debt may be converted into 4,636,363 GCM shares, which would give MGV a total equity stake of 14,063,643 GCM shares, representing 20.8% of the enlarged issued share capital of GCM following the conversion;

(b) lower the average cost of its investment in the GCM shares as the existing 9,427,280 GCM shares were acquired at £0.198 each on 28 August 2013; and

(c) the subsequent conversion of the Assigned Debt into new GCM shares presents a good long-term investment opportunity for the Company in GCM, taking into account the increasing demand for coal in Bangladesh and the coal's share of electricity output is expected to increase significantly by the year 2030 in Bangladesh.

Pursuant to the Board's resolution on 28 April 2016, the Company would also seek a board seat in GCM to enable better monitoring of its investments in GCM.

9.1.3 Pursuant to the convertible loan agreement between Revenue Anchor and GCM, Revenue Anchor may not transfer, assign or novate or create an interest in or declare a trust over, any rights or liabilities under the agreement without the consent of GCM, which consent cannot be unreasonably withheld.

The consent from GCM was, however, not obtained for the Assigned Debt. This would put in doubt whether or not Revenue Anchor had breached the terms of its convertible loan agreement with GCM when assigning the Assigned Debt to the Company and/or the Assigned Debt to the Company could be deemed ineffective.

9.1.4 On 4 May 2016, the Company announced an update on the use of proceeds from the partial draw-down of S$19 million from the Notes Issue program of up to S$35 million since the launch of the Notes Issue program. The use of proceeds included the payment of S$1,009,000 to Revenue Anchor for the Assigned Debt. Some background information on the Notes Issue program is set out in Section 11.2.3 of this Report.

9.1.5 The convertible loan agreement between Revenue Anchor and GCM had expired on 30 June 2017. 4,636,363 new GCM shares were supposed to be issued by GCM to Revenue Anchor, as announced by GCM on 20 June 2017.

The Company had accepted the transfer of 2,418,971 GCM shares from Revenue Anchor on 13 July 2018 as full settlement of the Assigned Debt amount of £510,000.

The Company had appointed UOB Kay Hian as the broker to dispose of all the 2,418,971 GCM shares in November 2018.

The investment in and settlement of the above Assigned Debt had resulted in an overall loss for the Company, due mainly to the depreciation of the exchange rate between £ and S$, as follows:

	In £ terms	In S$ equivalent	Recognised in the Group's financial statements
Assigned Debt as at 30 June 2016 and 30 June 2017 (based on £1:S$1.9781)	510,000	1,008,840	Did not make any adjustments
Assigned Debt as at 30 June 2018 (based on £1:S$1.788)	510,000	911,880	Unrealized foreign exchange loss of S$96,960 in FY2018 under other operating expenses
Value of 2,418,971 GCM shares at £0.2201 each as full settlement of the Assigned Debt (based on £1:S$1.8001 on 13 July 2018)	532,415	958,426	Unrealized foreign exchange gain of S$46,546 in 1QFY2019 under other operating income
Disposal of 2,418,971 GCM shares at £0.22093 each less brokerage fees on 27 November 2018 (based on £1:S$1.7583)	533,263	937,637	Brokerage fees of S$2,011 and loss on disposal of S$18,778 in 2QFY2019 under other operating expenses
Total overall profit/(loss)	**23,263**	**(71,203)**	**S$(71,203)**

The Group made a profit on the realization of the Assigned Debt of £23,263 but incurred an overall loss of S$71,203 (being the difference of S$1,008,840 and S$937,637) due mainly to foreign exchange losses.

9.2 Company's responses to SGX-ST's and Sponsor's queries on 12 October 2018

9.2.1 The Company had on 12 October 2018 responded to the SGX-ST's and Sponsor's queries on the "Revenue Anchor – Convertible Loan". Our review of these responses and our findings on the matter based on documents provided by the Company to us are set out below:

(i) Revenue Anchor is not related to and in any way interested in the Group, its management, Shareholders and directors. The Company had stated that the sole director of Revenue Anchor is Mr Ahmad Faez bin Yahaya ("**Mr Ahmad Faez**") and the sole shareholder is Mr Rafi Bin Alwi and Mr Ahmad Faez.

The Company had provided us with the corporate information on Revenue Anchor sourced from the Companies Commission of Malaysia. We note that Revenue Anchor was incorporated on 24 October 2007. It had 2 directors, Mr Rafi Bin Alwi and Mr Ahmad Faez, who were appointed as directors on 7 December 2007 and they were also shareholders of Revenue Anchor, each holding 50,000 shares, representing 50% of the issued share capital of Revenue Anchor. The paid-up capital of Revenue Anchor was RM100,000. The summary of financial information of Revenue Anchor for the financial year ended 31 December 2015 showed a share capital of RM1,000,000, NAV of RM892,920 and a profit of RM3,988.

The Company acknowledged that its disclosures on 12 October 2018 on the above were inaccurate, that is, there should be 2 directors of Revenue Anchor instead of a sole director, and the 2 directors who are also shareholders should be referred to as shareholders instead of sole shareholder.

(ii) Prior to entering into the deed of assignment with Revenue Anchor, the Company had verbally communicated with Virtus Law LLP ("**Virtus Law**") and the Company had deemed that all legal formalities pertaining to the deed of assignment were in order and no further action was required by the Company. This was confirmed by Virtus Law according to the Company.

Pursuant to Clause 11 of the convertible loan agreement between GCM and Revenue Anchor, consent from GCM is required for the transfer, assignment or novation of any interest on the convertible loan. This clause was included in the deed of assignment under the heading entitled "**BACKGROUND**".

The Company had explained that consent from GCM was not obtained as the convertible loan agreement was for the entire £3 million and if the entire loan was novated, a general takeover situation might arise in GCM. The Company had waived the required consent to avoid a general takeover situation that may arise.

The Company explained that it had, through Revenue Anchor, tried to seek consent from GCM for the novation on the premise that the amount of £510,000 when converted into the GCM shares would not have triggered the 30% takeover threshold obligations. However, Revenue Anchor was unsuccessful as GCM said that shareholders' approval at an EGM would be required to novate any part of the convertible loan. Hence, the Company also recognised that partial assignment could not be executed.

Ultimately, the Company did not pursue to obtain the consent from GCM for the assignment of the Assigned Debt, and hence, the deed of assignment was deemed not effected.

The Company explained that it did not formally engage Virtus Law to advise the Company in respect of the Assignment but Virtus Law had assisted in drafting the deed of assignment for the Assigned Debt on a goodwill basis as Virtus Law had previously assisted the Company on other legal matters. The Company therefore had not sought the advice of Virtus Law on any subsequent development on the Assigned Debt including the Company's responses to SGX-ST and the Sponsor on 12 October 2018 on this matter.

Management had informed us that Mr Allan Tan was the lawyer from Virtus Law who had provided informal advice to the Company on the Assigned Debt in April 2016. We understand that Mr Allan Tan is no longer with Virtus Law.

Notwithstanding that consent was not obtained from GCM and the deed of assignment with Revenue Anchor is ineffective, the Company had proceeded to pay for the Assigned Debt in May 2016. The Company had relied on the public announcement by GCM of its convertible loan owing to Revenue Anchor and the Board of the Company was satisfied that Revenue Anchor is able to make good on its obligations to the Company.

The Company had subsequently obtained a letter of undertaking from Revenue Anchor dated 3 July 2016 that in consideration of the payment of £510,000 from the Company, Revenue Anchor undertakes to hold the benefit of the repayment of the convertible loan of £510,000 that Revenue Anchor had provided to GCM pursuant to the convertible loan agreement and any GCM shares issued to them in respect thereof up to the sum of £510,000, for the Company as bare trustee in accordance with the Company's instructions less any related costs.

Notwithstanding that the Company had not obtained the letter of undertaking from Revenue Anchor at the time of the payment to Revenue Anchor, the Company explained

that the Company had made the payment as it was satisfied with the public announcement by GCM that Revenue Anchor was the beneficiary of the convertible loan.

The Company then did not realise at that time that the letter of undertaking from Revenue Anchor may be interpreted to mean that the Assigned Debt is a plain loan (without interest) to be repaid in either cash or in value of GCM shares without the benefit of the equity conversion features. The Company also did not seek any formal or informal legal advice on the matter.

(iii) The convertible loan was due for repayment by GCM on 30 June 2017.

On 20 June 2017, GCM announced that it had concluded an agreement to fully settle its obligations under the convertible loan facility signed on 29 May 2015. Among other things, GCM would issue 4,636,363 GCM shares to Revenue Anchor subject to some lock-up period.

In July 2018, Revenue Anchor had received and subsequently transferred the share certificate for 2,418,971 GCM shares to the Company as full settlement of the £510,000 owed by it to the Company.

The Company explained that there was some settlement discussions between GCM and Revenue Anchor which was not within the control of the Company, and in July 2018, Revenue Anchor only received the 2,418,971 GCM shares out of 4,636,363 GCM shares due to Revenue Anchor. Revenue Anchor claimed it did not receive the remaining 2,217,392 GCM shares. Revenue Anchor then offered those GCM shares to the Company as full settlement of the £510,000 owed by it to the Company.

After considering the uncertainties of receiving the remaining GCM shares, the prospects of GCM and its share price, and as the GCM shares had value in excess of £510,000 based on the then market share price of the GCM shares of 22.01 pence each, the Company agreed to accept the 2,418,971 GCM shares as full settlement of the £510,000 owed to it by Revenue Anchor. The 2,418,971 GCM shares represent 52.2% of 4,636,363 GCM shares that was announced by GCM that it will issue to Revenue Anchor.

9.2.2 The Company had eventually disposed of all the 2,418,971 GCM shares on the AIM market in November 2018 at a profit of £23,263. However, it incurred an overall loss of S$71,203 on the realisation of the Assigned Debt due mainly to foreign exchange losses between £ vs S$ as shown in Section 9.1.5 of this Report.

More significantly is that the Company had in fact:

(a) Lost interest income on the Assigned Debt, if it had been a straight loan as it would have been an interest bearing loan at a commercial rate. The Assigned Debt did not state any interest payable and Revenue Anchor did not pay any interest on the Assigned Debt; and

(b) Potentially lost £488,048 on the 2,217,392 GCM shares (at the then market value of 22.01 pence each) which Revenue Anchor claimed it did not receive and hence, were not transferred to the Company. The Company's investment objective on the Assigned Debt was to own all the 4,636,363 GCM shares when the convertible loan was converted into the GCM shares at 11 pence each, based on the Company's rationale to invest in the Assigned Debt as set out in Section 9.1.2 above. £488,048 is equivalent to S$858,135 based on the exchange rate of £1:SGD1.7583 around the time of the disposal in November 2018).

While the Company had made disclosures on its investment in the Assigned Debt on 28 April 2016, it did not provide relevant disclosures of the subsequent change of events e.g. when the Assigned Debt was being treated as a non-interest bearing loan without the full benefit of the underlying equity conversion features.

The Company explained that it had relied on the letter of undertaking from Revenue Anchor dated 3 July 2016 and believed that the Company would obtain the full benefit of the underlying equity conversion features. The situation became clear to the Company in July 2018 when Revenue Anchor offered the 2,418,971 GCM shares as full settlement of the Assigned Debt as set out in Section 9.2.1(iii) above.

9.3 Our further findings

9.3.1 Mr Luke Ho, CEO of the Company, had then consulted Mr Lim Kuan Yew on the reputation of Revenue Anchor in relation to the potential further investment in GCM via the Assigned Debt. Mr Lim Kuan Yew was positive of the credentials of Revenue Anchor.

On our query to Management in what capacity Mr Lim Kuan Yew was being consulted on, as he had resigned from the Company as the Managing Director since 30 September 2014, Management disclosed to us that Mr Lim Kuan Yew had continued as an employee with the Group as the local resident director of MEG Management Sdn. Bhd. ("**MEG**"), a wholly-owned subsidiary of the Company which was then dormant, after his resignation from the Board. By way of background, the Company explained that MEG was required to have a Malaysian as the local director for statutory purposes. Mr Lim Kuan Yew resigned from MEG on 12 September 2017 and ceased to be employed by the Group thereafter. MEG was subsequently activated in June 2016 to undertake the Microalgae Project, another Selected Transaction, details of which are set out in Section 10 of this Report.

9.3.2 The Group was then a substantial shareholder of GCM, holding a 15% equity interest in GCM. It, however, did not have any board representation on GCM.

On 28 April 2016, in connection with seeking Board's approval to invest in the Assigned Debt, Management had provided information to the Board on the Assigned Debt and its intention to seek a board seat in GCM to enable better monitoring of its investments.

However, the Company did not proceed to seek a board seat in GCM. In hindsight, a board seat might have facilitated the effective assignment to the Company of the Assigned Debt.

The Company explained that it had originally intended to seek a board seat when GCM obtained its production licence for its Phulbari Coalmine project. As the production licence was not forthcoming and the Company had decided to dispose of its investments in GCM, the Company decided not to pursue the board seat in GCM.

9.3.3 Based on our findings, the 2 largest shareholders of GCM around the time of the Assigned Debt were Polo Resources (approximately 27.8%) and MGV (15%). Datuk Michael Tang was the executive chairman of Polo Resources and GCM. Datuk Michael Tang is the founder of Mettiz which was the single largest shareholder of Polo Resources with approximately 12.6% shareholding interest in Polo Resources.

GCM and Polo Resources were both listed on AIM with market capitalisations of £9.9 million (S$19.5 million) and £13.2 million (S$26.0 million) respectively as at 28 April 2016. In comparison, the then market capitalisation of the Company was S$6.1 million.

The Assigned Debt of S$1 million represented 16.4% of the then market capitalisation of the Company and 2.4% of the NAV of the Group as at 31 December 2015.

GCM is a mining company with its major asset being the Phulbari Coalmine project in Bangladesh.

Polo Resources had described itself as a natural resources investment company focused on investing in undervalued companies and projects with strong fundamentals and attractive growth prospects.

On or around April 2016, GCM had 3 board of directors, Datuk Michael Tang as Executive Chairman, and Dato' Md Wira Dani Bin Abdul Daim ("**Dato' Wira**") and Mr Nik Raof Daud as non-executive directors of GCM. After Dato' Wira stepped down on 19 August 2016, GCM had 2 directors.

9.3.4 In its annual reports for FY2016, FY2017 and FY2018, the Company had disclosed certain details on the Assigned Debt, the underlying convertible loan agreement between Revenue Anchor and GCM and the equity linked features.

However, it is unclear as to whether the Assigned Debt was to be treated as a plain debt owing from Revenue Anchor without the benefit of the equity linked features as there is no such disclosures. Instead, the Company had disclosed that the equity conversion feature had no significant value as it could only be exercised with the mutual agreement of both contracting parties, and subject to the approval of GCM's shareholders ("**Restrictions on Conversion**"). The disclosure was not objected to by its auditors, Moore Stephens.

The above Restrictions on Conversion was not disclosed at the time of the announcement of the Assigned Debt nor any subsequent announcements in relation to the Assigned Debt, and contradicts with the Company's objective and rationale of investing in the Assigned Debt as set out in Section 9.1.2 above.

From our understanding and findings above, the deed of assignment was in fact not effected as consent from GCM was never obtained. This would put in doubt as to the accuracy of the disclosures in the annual reports of the Company for FY2016, FY2017 and FY2018 for the following reasons:

(a) The deed of assignment between Revenue Anchor and MGV did not specify that the equity conversion by MGV requires the mutual agreement of both parties;

(b) There were no stated conditions in the deed of assignment that required the approval of GCM's shareholders in the event of MGV exercising its right to convert the Assigned Debt into the GCM shares; and

(c) As the deed of assignment was not consented to by GCM, the deed of assignment was in fact not effected.

9.3.5 We note that £510,000 were remitted in 2 batches: £390,000 on 28 April 2016 and £120,000 on 3 May 2016. However, these monies were not paid to Revenue Anchor. At the instructions of Revenue Anchor, £390,000 was paid to Tantalus Rare Earths AG ("**Tantalus**"), HSBC bank account in Duesseldorf, Germany and £120,000 was paid to Mr Farhash Wafa Salvador, Standard Chartered Bank account in Singapore.

The Company explained that it had acted according to the payment instructions of Revenue Anchor and Revenue Anchor had confirmed receipt of the monies. The Company did not think it was necessary to enquire about Tantalus or Mr Farhash Wafa Salvador or the purpose of the remittance of monies to them.

Tantalus

Based on our findings from the website of Tantalus, Tantalus was described as a Germany-based exploration company, engaged in the development of rare earths in Madagascar and its shares were quoted on the primary market of the Düsseldorf Stock Exchange in Germany. On 16 October 2015, the management of Tantalus filed an application of insolvency proceedings against Tantalus. On 12 February 2016, the insolvency application was withdrawn following, *inter alia*, the receipt of funds from the sale of its 60% interest (out of 100%) in a rare earth development project in Madagascar for €3.7 million to Apphia Minerals SOF Pte. Ltd. ("**Apphia**"). On 2 March 2016, Tantalus proposed to sell the remaining 40% interest in the rare earth development project to REO Magnetic Pte. Ltd. ("**REO Magnetic**") (described as formerly known as Apphia), but was terminated on 21 September 2017 without completion.

As disclosed in the circular to shareholders dated 15 October 2018 issued by ISR, REO Magnetic had entered into conditional sale and purchase agreements with ISR in June 2016 to sell its 60% interest in the rare earth development project to ISR. The above proposed acquisition was completed eventually in 2019. To reflect the broader scope of business activities following the completion of the acquisition of the 60% stake in the rare earth development project, ISR changed its name to Reenova Investment Holding Limited with effect from 5 July 2019.

It was also disclosed in the aforementioned circular to shareholders that (i) ISR was made aware that Virtus Law had previously advised REO Magnetic in the acquisition of the 60% interest in the rare earth development project in Madagascar from Tantalus, and Virtus Law subsequently advised ISR on the proposed acquisition of the same 60% interest from REO Magnetic; (ii) save for undertaking technical work in relation to the completion of REO Magnetic's purchase of the 60% interest from Tantalus, Virtus Law's engagement with REO Magnetic ceased prior to ISR formally appointing Virtus Law on 2 June 2016; (iii) Mr Tan Poh Chye Allan became a member of REO Magnetic on 8 March 2017, when Virtus Law no longer acted for ISR.; (iv) Mr Allan Tan had a 4.46% shareholding interest in REO Magnetic based on the ACRA Business Profile of REO Magnetic as at 4 October 2018; and (v) Mr Allan Tan was the partner at Virtus Law who had advised ISR on the proposed acquisition.

Management had informed us that Mr Allan Tan was the lawyer from Virtus Law who provided informal advice to the Company on the Assigned Debt in April 2016.

We understand that Mr Allan Tan is no longer with Virtus Law.

Prior to the latest change of name to Reenova Investment Holding Limited, ISR was formerly known as SBI E2-Capital Holdings Limited on 14 October 2003, had changed its name to Westcomb Financial Group Limited on 20 August 2004, then to Asiasons WFG Financial Ltd on 6 July 2010 and assumed the name of ISR on 11 December 2012. ISR is listed on the Mainboard of the SGX-ST.

The above Asiasons WFG Financial Ltd is not to be confused with Asiasons Capital Limited, which is another company listed on the Mainboard of SGX-ST and which is now known as Attilan Group Limited. Asiasons Capital Limited was formerly known as Integra2000 Limited on 28 February 2001, changed its name to Asiasons Capital Limited on 21 January 2008 and assumed its present name on 30 April 2014.

Tantalus' shares were delisted from the Düsseldorf Stock Exchange on 31 May 2017.

<u>Mr Farhash Wafa Salvador*</u>

Based on our public searches, Mr Farhash Wafa Salvador was an independent non-executive director of Blumont Group Ltd. from 18 July 2014 to 8 June 2016. He is also, among other things, Perak's PKR chairman and the political secretary to the PKR President. PKR (Parti Keadilan Rakyat) is a political party in Malaysia. He was also an award winner of the Malaysia Outstanding National Entrepreneurs Awards in 2018.

* Based on our public searches, his full name is Farhash Wafa Salvador Rizal Mubarak.

We observed that ISR and Blumont Group Ltd. are purported associates of [✂].

***Source*:**

(1) Company's announcements dated 16 September 2014, 28 April 2016, 4 May 2016 and 12 October 2018;
(2) Convertible loan agreement between Revenue Anchor and GCM Resources plc dated 29 May 2015;
(3) Directors' resolutions in writing passed pursuant to the Company's articles of association dated 28 April 2016;
(4) GCM's announcements dated 29 May 2015 and 20 June 2017;
(5) Company's UOB Kay Hian brokerage account statement dated 28 November 2018;
(6) Letter of undertaking from Revenue Anchor dated 3 July 2016;
(7) MEG's directors' circular resolution dated 12 September 2017 in relation to Mr Lim Kuan Yew's resignation from MEG;

(8) Polo Resources Limited. (n.d.). Investors' information. Retrieved from website of Polo Resources Limited: http://www.poloresources.com/Investors_Info.htm;
(9) Company's annual reports for FY2016, FY2017 and FY2018;
(10) Bank remittance advices from the Company to Tantalus dated 29 April 2016;
(11) Bank remittance advices from the Company to Mr Farhash Wafa Salvador dated 4 May 2016;
(12) ISR's circular to shareholders dated 15 October 2018 in relation to (1) the proposed acquisition of 60% shareholding interest held by REO Magnetic in Tantalum Holding (Mauritius) Ltd for a consideration of S$2,989,029 to be satisfied through the issuance of shares representing 29% of the total issued share capital of the company as at ALA LPD; (2) the proposed issue and allotment of 747,257,307 new ordinary shares at an issue price each of S$0.004 in payment of the consideration; (3) the proposed transfer of controlling interest to REO Magnetic arising from the share issue; and (4) the proposed diversification of the business scope of the group to include (i) the ownership, operation, management and production of a rare earth oxides mine in Madagascar; (ii) the sale and distribution of the rare earth oxides; and (iii) provision of technical support and services relating to rare earth oxides mining;
(13) Tantalus Rare Earths Ag. (n.d.). Regulatory News. Retrieved from Website of Tantalus Rare Earths Ag: http://www.tre-ag.com/investor-relations/regulatory-news.aspx?sc_lang=en;
(14) Bloomberg L.P.;
(15) ISR's announcement dated 3 July 2019;
(16) Tantalus Rare Earths Ag. (n.d.). Share Information. Retrieved from Website of Tantalus Rare Earths Ag: http://www.tre-ag.com/investor-relations/share-information.aspx?sc_lang=en;
(17) Blumont Group Ltd.'s annual reports for its financial years ended 31 December 2015 and 31 December 2016;
(18) Perak PKR urges Azmin to accept new appointments. (2018, December 30). Retrieved from The Sun Daily website: https://www.thesundaily.my/local/perak-pkr-urges-azmin-to-accept-new-appointments-MD324097; and
(19) The article entitled [✂] set out in *The Edge Singapore* dated [✂].

9.4 Interview notes with the Directors

The Directors who had approved the Assigned Debt on 28 April 2016, with the input from key Management, and who had overseen the Assigned Debt until the disposal of the GCM shares as settlement of the Assigned Debt in November 2018 were:

Directors	Key Management
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr Nick Ong	
Mr John Ong (ceased as director on 30 June 2019)	

We have interviewed the relevant Directors on the following, and our interview notes with them are set out in Appendix C to this Report:

S/N	Queries	Comments from the Directors
1.	Given our findings of the transaction and the Company's acknowledgement of our findings, what are the Directors' post mortem take-away points from the transaction with regard to: • Appointment and scope of work of legal advisers • Disclosures of adequate and accurate information in the Company's announcements, responses to SGX-ST and Sponsor's queries and in the Company's annual reports • Update announcements of any material developments • Due diligence on its counter-party and clarity of understanding with counter-party on the terms of the agreement • Payment to parties other than the contracting party	

9.5 Interview with External Auditors

We have interviewed the External Auditors on the following. However, consent was not granted by Moore Stephens to attach our interview notes with them in this Report.

S/N	Queries	Comments from External Auditors
1.	The Company's disclosures in the notes to the audited accounts for FY2016, FY2017 and FY2018 were concurred by you. Are you aware that the deed of assignment was deemed ineffective as GCM consent was a condition for the assignment and such consent was not obtained? Are you aware of the content of the letter of undertaking from Revenue Anchor to the Company? Given the above, what is the basis of concurring with the Company's disclosures in the audited accounts?	

9.6 Interview with the former partner of Virtus Law

We have interviewed Mr Allan Tan, the former partner of Virtus Law, on the following, and our interview notes with him are set out in Appendix C to this Report:

S/N	Queries	Comments from Virtus Law
1.	Were you the partner from Virtus Law who had assisted the Company in drafting the Deed of Assignment?	
2.	According to the Company's responses to the SGX-ST queries on 12 October 2018, Virtus Law had verbally communicated to the Company prior to entering into the deed of assignment that all legal formalities pertaining to the deed of assignment were in order and no further action was required by the Company. Please explain the following: (a) Whether you had actually given the above confirmation to the Company, verbally or otherwise? (b) If so, what was the basis of your confirmation? (c) Did you clear the Company's responses on the matter to the SGX-ST?	

9.7 Summary of our recommendation in relation to the transaction "Convertible Loan with Revenue Anchor Sdn Bhd" and Directors/Management's responses

From our review of the above transaction, we have set out below key areas for the Company's consideration and which we would recommend the Company to adopt/incorporate in its Investment Policy going forward:

S/N	Recommendations
1.	The Company should appoint suitable lawyers to draft the legal documentation and also to advise on the transaction including structure, terms and enforceability of the deed of assignment. e.g. the Company should obtain written confirmation from its legal adviser on important aspects of the transaction

S/N	Recommendations
	e.g. the Company should seek legal advice on the enforceability and validity of the agreement if certain conditions are waived by the Company to avoid the Deed being deemed as ineffective. e.g. the Company should have consulted legal advice on the letter of undertaking from Revenue Anchor to ascertain the interpretation or understanding of whether the amount owing from Revenue Anchor is a plain interest free loan and without the benefit of the equity conversion feature.
2.	The Company should assess the need to make an update announcement on the development of the transaction on a timely manner. e.g. when the Assigned Debt is no longer an assignment of a convertible loan as it is deemed ineffective since consent from GCM was not obtained, that it has become an interest free loan, the reason for the change and the Board's deliberation on the matter.
3.	The Company should carry out proper checks to ensure that information disclosed in announcements and in its annual reports are accurate. e.g. the date of the deed of assignment in the announcement – wrong year e.g. the disclosure on the number of directors and shareholders of Revenue Anchor e.g. the inaccurate disclosures of the transaction in the annual reports
4.	The Company should disburse monies only to approved parties under the terms of contract and not to unknown parties at the instructions of the contracting party. e.g. monies were disbursed to Tantalus and Mr Farhash Wafa Salvador.
5.	The Company should follow up closely on its investment to ensure that its interest is protected. e.g. as a result of the subsequent development of events, the Company had potential lost out on interest income and/or equity value of the converted GCM shares which it should have received but did not receive.

The relevant Directors have confirmed that they are agreeable to our recommendations set out above during their respective interviews.

10. MICROALGAE PROJECT

10.1 Overview

Proposed project

As part of the Group's effort to diversify into renewable energy, the Company had decided to venture into the Microalgae Project. On 22 June 2016, the Company announced that its wholly-owned subsidiary, MEG, had entered into:

(a) an engineering, procurement and construction contract ("**EPC Contract**") with Algae Farm Engineering Sdn Bhd ("**AFE**" or "**EPC Contractor**") to build a 15 MT/day microalgae oil cultivation facility ("**Microalgae Plant**") in Selangor, Malaysia at the contract price of US$12.75 million (S$17.1 million based on the exchange rate of US$1:S$1.3384 on 22 June 2016);

(b) an operation and maintenance agreement ("**O&M Agreement**") with AFE to manage the Microalgae Plant; and

(c) a patent license agreement ("**Patent License Agreement**") with Mr Kim Jae Hoon(1) ("**Mr Kim**"), who is the founder and director of AFE, pursuant to which Mr Kim on behalf of itself and AFE, would grant to MEG the licence for the use of certain patents owned by Mr Kim for the Microalgae Project, in particular the cultivation of microalgae and the harvesting machine in the Microalgae Plant.

Note:

(1) also known as Peter Kim.

The Microalgae Plant, to be situated on a leased land in Kundang, Selangor, Malaysia, when fully completed would have an installation of 1,500 tanks to cultivate the microalgae. Production was expected to commence by December 2016. The Company also expected for the investment on the Microalgae Plant to break even in 4 years' time.

The Company had on 22 June 2016 disclosed that based on its present financing facilities from the Notes Issues, the availability of financing from AFE ("**Contractor Financing**"), receivables from existing investments and available working capital, the Group would have sufficient funds to meet the obligations under the Microalgae Project.

The contract price of the Microalgae Plant of S$17.1 million had represented 219.2% of the Company's then market capitalization of S$7.8 million on 22 June 2016, and 40.9% of the Group's NAV of S$41.8 million as at 31 March 2016.

In response to the Sponsor's query on the reason why Shareholders' approval is not required for the Microalgae Project, the Company had responded that the Microalgae Project was in the ordinary course of business and part of the organic growth strategy of the Group.

We note that the Company had in October 2014 sought and obtained Shareholders' approval at its EGM for the Group to diversify into, *inter alia*, the mineral and energy business. We also note in the circular to Shareholders dated 13 October 2014 for the above EGM that the Company had committed itself that it will continue to comply with the provisions of Chapter 10 of the Catalist Rules in the event it undertakes any acquisition, joint venture, investment or other transactions within the energy sector.

Following from the above, it would seem that the Company should have sought Shareholders' approval for the Microalgae Project based on:

(a) the Company's commitment as set out in its circular to Shareholders dated 13 October 2014 which includes acquisition, joint venture, investment or other transactions within the energy sector;

(b) the Microalgae Project is the first time that the Group had embarked on such a project, to build and operate the Microalgae Plant. This would mean exposing the Group to a relatively new business risk profile;

(c) while the Company had responded to its Sponsor that the Microalgae Project was in its ordinary course of business, the cost of the Microalgae Project was more than twice the Company's then market capitalisation. Under Rule 1015 of the Catalist Rules in relation to very substantial acquisitions which require, *inter alia*, Shareholders' approval, acquisition of assets includes acquisition in the ordinary course of business;

(d) in the SGX-ST's Sponsors Dialogue for FY2015, the SGX-ST had recommended that issuer who had sought Shareholders' approval to diversify into a new business but had not identified the new business then, should subsequently seek Shareholders' approval for such entry into its first major transaction pursuant to Rule 1006 of the Catalist Rules. The Microalgae Project would fall under this recommended practice; and

(e) around the time of the Microalgae Project, certain other SGX-ST listed companies had shown signs of delays or were facing issues in their microalgae oil cultivation projects, and the Company was aware of these listed companies. The Company could have expanded on how its proposed Microalgae Project would differ from the other SGX-ST listed companies given that there were no successful precedent cases.

Progress of the project

On 7 November 2016, the Company had disclosed in its results announcement for 1QFY2017 that construction of the Microalgae Plant was more than 50% completed and it expected to see delivery of the completed project by end of December 2016.

On 2 February 2017, the Company had disclosed in its results announcement for 2QFY2017 that thus far it had provided 60% of the contract price for the Microalgae Plant and it expected delays in the completion of the Microalgae Project due to the lack of funds, and that completion of the Microalgae Project was expected to be some time in 4QFY2017 (i.e. April to June 2017).

On 8 May 2017, the Company had disclosed in its results announcement for 3QFY2017 that thus far it had provided 70%[(3)] of the contract price for the Microalgae Plant and it expected delays in the completion of the Microalgae Project due to the lack of funds, the Company was seeking to raise sufficient and timely funds via the existing Notes Issue program[(2)], sale of liquid assets and plausible loans, and that completion of the Microalgae Project remained to be some time in 4QFY2017 (i.e. April to June 2017).

Note:

(2) Notes Issue program refers to the unsecured convertible notes facility by Premier Equity Fund (as subscriber) and Value Capital Asset Management Private Limited (as arranger) on 3 September 2014 pursuant to which the Company could issue up to S$35 million of redeemable convertible notes due 2017. The convertible notes facility expired on 6 November 2017.

On 17 July 2017, the Company had responded to the SGX-ST's queries, *inter alia*, that it was confident of raising funds from the Notes Issue program and/or internally sourced funds.

On 29 August 2017, the Company had disclosed in its results announcement for FY2017 that thus far it had provided 65%[(3)] of the contract price for the Microalgae Plant and it expected delays in the completion of the Microalgae Project due to delays in fund-raising, and that completion of the Microalgae Project was expected to be some time in 1QFY2018 (i.e. July to September 2017).

Note:

(3) The percentages are as per the Company's announcements on 8 May 2017 and 29 August 2017. Management explained that the different percentages could be due to approximation.

On 27 September 2017, the Company entered into an outstanding amount conversion agreement ("**Conversion Agreement**") with MEG and AFE. Pursuant to the Conversion Agreement, of the remaining outstanding amount of the contract price payable by MEG to AFE of US$4.46 million (S$6.07 million based on the exchange rate of US$1: S$1.36), up to S$3 million shall be payable in new Shares to be issued at the issue price of S$0.001 each ("**Outstanding Amount Conversion**") and the remaining amount shall be funded using internal cash resources of the Group and the net proceeds from the Notes Issue program. The issue price of S$0.001 each was based on the then prevailing market Share price, which is also the minimum trading share price on the SGX-ST. Arising from the issue of the new Shares to AFE, AFE and Mr Kim (through AFE) would have a 25.73% shareholding interest of the enlarged issued share capital of the Company after the issuance of the maximum 3 billion new Shares, thus becoming the new Controlling Shareholder of the Company. The completion of the Outstanding Amount Conversion was therefore subject to, *inter alia*, (i) Shareholders' approval at the EGM for the issuance and allotment of the new Shares to AFE and the possible transfer of controlling interest in the Company to AFE/Mr Kim; and (ii) successful completion of the Microalgae Project. Pursuant to the Conversion Agreement, Mr Kim shall be appointed as a Director and the Chairman of the Board of the Company, subject to, *inter alia*, the successful completion of the Microalgae Project.

The Company had rationalised that with the above arrangement with AFE, part of the fund raising requirements for the Microalgae Project would be resolved, AFE would have a direct and strategic equity stake in the Company and Mr Kim, who has the requisite technical qualification and more than 20 years of experience in the microalgae renewable energy and related business, would benefit the Group as a Director and Chairman of the Board.

Details of the above are set out in the Circular to the Shareholders dated 14 October 2017. At the EGM of the Company held on 30 October 2017, Shareholders' approval was obtained for the above matters.

To-date, as the Microalgae Project is not successfully completed yet, the outstanding amount of the contract price is not deemed payable to AFE and the Outstanding Amount Conversion will not take effect as yet. Similarly, the appointment of Mr Kim will not take effect yet.

On 31 October 2017, the Company had disclosed in its results announcement for 1QFY2018 that thus far it had provided 66% of the contract price for the Microalgae Plant, completion of the Microalgae Project was targeted to be end of November 2017 and production was expected to commence in December 2017, subject to weather conditions.

On 6 February 2018, the Company had disclosed in its results announcement for 2QFY2018 that completion of the Microalgae Project was delayed as construction work had to stop due to inclement weather conditions.

On 28 March 2018, the Company announced that the Microalgae Plant had entered into the testing and conditioning phase of the harvesting system and the growth of microalgae, which would take approximately one month before entering into production phase and the existing tanks had a total production capability of 5 MT/day of microalgae oil which could be scaled up to 15 MT/day with the addition of more tanks. Management clarified that 500 tanks out of the planned 1,500 tanks had been installed, and the 500 tanks could produce 5 MT/day of microalgae oil.

On 10 May 2018, the Company had disclosed in its results announcement for 3QFY2018 that production of the Microalgae Project was delayed and production phase was targeted to be in June or July 2018.

On 29 August 2018, the Company had disclosed in its results announcement for FY2018 that the Group had embarked on the pilot commercialization, the Microalgae Plant was in the process of conditioning the harvesting machine and stabilising the growth rate of the microalgae.

Based on the latest annual report of the Company for FY2018, the investment amount incurred on the Microalgae Plant was recorded by the Company as PPE under construction in progress, which amounted to S$12.95 million as at 30 June 2018, representing 69.2% of total PPE of the Group of S$18.7 million as at 30 June 2018 and 52.0% of the NAV of the Group of S$24.9 million as at 30 June 2018.

Since 22 June 2016 to 31 October 2018, the Company had paid to AFE and AFE had acknowledged, *via* its letter to the Company dated 31 October 2018, the receipt of, in aggregate, US$9.55 million, representing 75% of the contract cost of US$12.75 million. No further payments were made to AFE after 31 October 2018. The Company had funded US$9.55 million from various sources including:

- S$5.34 million from the Notes Issue program;
- S$650,000 from loans from the CEO and a Director which were extended to the Company in April 2017(4);
- S$640,000 from the Company's share placement exercise to investors in March 2018 which raised gross proceeds of S$1.17 million; and
- the balance of approximately S$6 million from internal funds including cash balances, sale of investments and dividends received from subsidiaries.

Note:

(4) Please refer to Section 11 for more details on the CEO and Director's Loans to the Company. These loans were fully repaid on 31 December 2018.

The Company did not seek Contractor Financing from AFE to fund the Microalgae Project as it believed it would not be forthcoming.

AFE had initially issued progress reports on the Microalgae Project to the Company in July 2016 and September 2016 but stopped subsequently for about one year until September 2017 when upon the requests from the Company's External Auditors, AFE resumed issuing regular monthly progress reports to the Company on the status of the construction of the Microalgae Plant until 31 August 2018, being the last progress report received by the Company.

Management explained that no progress reports were issued during that interim period of about one year as AFE was busy with the construction of the plant and Management had visited the site several times to oversee the progress of the construction.

On 2 November 2018, the Company had disclosed in its results announcement for 1QFY2019 that the Microalgae Plant remained at growth testing phase and oil extraction test phase.

On 11 February 2019, the Company had disclosed in its results announcement for 2QFY2019 that the Microalgae Plant remained at growth testing phase and oil extraction test phase, and professional certifications of the tests, which was necessary before the commencement of production, had not been commissioned by the Company as the test results were unstable.

On 4 April 2019, the Company had disclosed, in its responses to the SGX-ST, that contamination had occurred in the Microalgae Plant which had led to the overall delay of the Microalgae Project, that the contamination is a biological issue which does not affect the PPE hardware. However, due to the delay in production, the Company and its auditors would assess the technical provision on the value of the project in its balance sheet for FY2019. The Company was also studying ways to mitigate the contamination issues, discussing with various parties for collaborations and planning to make an assessment on the viability of the Microalgae Project in September 2019.

On 10 May 2019, the Company had disclosed in its results announcement for 3QFY2019 that the Microalgae Plant remained at growth testing phase and oil extraction test phase,

contamination had negatively affected both the growth rates and oil extraction rates, and professional certifications of the tests had not been conducted as the test results were unstable.

On 28 June 2019, the Company announced its quarterly update on, *inter alia*, the Microalgae Project that it has not found effective solutions to resolve the contamination issues on the growth of the microalgae, the lack of funding to proceed further on the project and the probable provision for impairment on the Microalgae Project investment for FY2019.

Based on the 3QFY2019 results, the NAV of the Group was S$23.6 million as at 31 March 2019. Impairment of the investment in the Microalgae Plant will have a material impact on the NAV of the Group as at 30 June 2019, which will be announced by the Company in due course before the end of August 2019.

10.2 AFE and Mr Kim

10.2.1 AFE and Mr Kim

AFE is a private limited company incorporated in Malaysia on 30 September 2014. AFE's paid-up capital is RM800,000 which is owned by Mr Kim (40%), his wife, Ms Kim Dokyoung (30%), and 2 Malaysian individuals, Ms Chong Siew Fun (10%) and Mr Koh Huei Boo (20%). The directors of AFE are Mr Kim (appointed on 30 September 2014) and Mr Almi Rizal Bin Au Mansor (appointed on 19 April 2019). (Based on our search on 25 June 2019 from the Companies Commission of Malaysia.)

At the time of the announcement of the Microalgae Project, the other director of AFE besides Mr Kim was Khairul Nidzom Bin Dato' Haji Hormat (appointed on 24 June 2016). (Based on the search provided by the Company.)

Management has only dealt with Mr Kim, who is the key person behind AFE. Other Malaysian shareholders of AFE and appointment of a Malaysian director to AFE are to comply with the local regulations in Malaysia.

Mr Kim, a Korean national, was described as the founder and director of AFE. Mr Kim has more than 20 years of experience in renewable energy research and development, infrastructure construction, production, processing and trading, and owns the cultivation patent and harvesting machine patent which he had granted to AFE the non-exclusive rights to use the patents.

The Company had disclosed AFE's business as principally engaged in microalgae oil cultivation and processing. AFE had successfully grown microalgae in the conditions set up in Malaysia and had successfully processed the microalgae into bio-oil and proven that the oil runs on a generator in its nursery plant.

AFE, together with Weschem Technologies Sdn Bhd ("**Weschem**"), had set up a bio-oil processing plant at a cost of US$6 million with a processing capacity of 200 MT/day. This processing plant is located about 2 km from the Microalgae Plant.

Management had informed us that the processing plant was funded by Weschem and the original plan was for AFE to acquire the processing plant to process the microalgae oil produced at the Microalgae Plant. However, AFE did not acquire the processing plant from Weschem due to cashflow issues. As the progress of the operation of the Microalgae Plant had been stalled due to the contamination of the microalgae, discussion with Weschem on the use of the processing plant had discontinued. Instead, Weschem has continued to use the processing plant for its own purpose.

10.2.2 AFE and the Company

The Company got acquainted with Weschem in Malaysia who then introduced AFE and Mr Kim to the Company. Weschem is a manufacturer and exporter of eco-friendly industrial chemicals

using renewable and sustainable raw materials, such as palm oil products. Other than that, Management is not familiar with Weschem.

The Company was first presented with the opportunity to invest in a microalgae cultivation plant in early 2015. In early 2016, AFE completed its nursery plant and successfully proven the growth of the microalgae oil in its plant. In June 2016, the Company decided to venture into the Microalgae Project with AFE.

AFE was the project manager and engineering consultant for the Company during the construction of the Microalgae Plant and would act as the facility manager in charge of the operation and maintenance for the cultivation and production of microalgae oil upon completion of the construction of the Microalgae Plant. AFE had further undertaken to secure offtake agreements with buyers for the Company.

The Microalgae Plant which is located on an open land site in Kundang, Selangor, Malaysia was designed to have 1,500 tanks(5) with a capacity to produce 30 MT/day of microalgae (dry basis). After the specially designed harvesting machine is installed at the plant, the tanks will be set up and filled with the microalgae cultures to produce the microalgae. The harvesting machine will harvest the microalgae, which will then be delivered to AFE for processing into bio-oil. 30 MT of microalgae (dry basis) can be processed into 15 MT of bio-oil and 15 MT of biomass. The annual bio-oil production for the Microalgae Plant is expected to be 5,000 MT.

Note:

(5) On 17 July 2017, the Company had in response to the SGX-ST queries, disclosed that the site can accommodate up to 2,400 tanks.

The bio-oil would be sold to buyers pursuant to offtake agreements which AFE would secure for the Company and the biomass, which is a by-product from the microalgae oil processing, could be sold to the animal feed industry for additional income.

The Company would bear 100% of the profit and loss of the Microalgae Plant and was expecting to generate a profit of approximately US$3 million annually from the Microalgae Project, after paying to AFE as the facility manager, production costs and licensing fees.

AFE had leased 2 pieces of adjacent land under agriculture status from 2 landlords for 3 years from 1 July 2016 to 30 June 2019, with an option to renew for 3 years and a further option to renew for a further 2 years at a rent to be mutually agreed. The 2 pieces of land, an open field, which were used for the Microalgae Plant are as follows:

(a) HSD 36514, PT 23401, Pekan Pengkalan Kundang, Daerah Gombak, Negeri, Selengor with an area of 1.44 hectares at a monthly rental of RM3,500; and

(b) HSD 36515, PT 23401, Pekan Pengkalan Kundang, Daerah Gombak, Negeri, Selengor with an area of 1.263 hectares at a monthly rental of RM3,000.

AFE then sub-let the land to the Company for the Microalgae Project. On 1 February 2018, the Company had, through MEG, taken over the land leases at the contracted monthly rentals from AFE for the Microalgae Plant. Management had obtained board approval for the above on 1 February 2018. As the land leases had expired on 30 June 2019, the Company had not formally exercised the option to renew the land leases for another 3 years. For the lease on the site referenced as HSD 36515, the Company had *via* email correspondences with the landlord agreed to keep the current rental until end of 2019. There were no written correspondences between the Company and the landlord on the site referenced as HSD 36514 but the Company continued to pay the current rental to the landlord.

Management had informed us that the field is not well kept presently due to minimal maintenance.

We note, however, that the Company had in its first announcement on the Microalgae Project on 22 June 2016 described that the plant will sit on a site of approximately 1.4 hectares. Based on our review, the aggregate size of the two plots of land is 2.7 hectares.

Management clarified that the initial plan was for 1.4 hectares. As land rental rates are low, the design for the layout of the plant was changed to include leasing the additional land site hence increasing the land site from 1.4 hectares to 2.7 hectares. The Company, however, did not announce the above changes.

AFE also leased the factory premises nearby to the Microalgae Plant from a landlord for 2 years from 15 July 2016 to 14 July 2018, with an option to renew the lease for another 2 years. The address of the factory premises is as follows:

- No. 5 Jalan KPK 1/5 Kaw. Perindustrian, Kundang, Jaya 48020 Rawang, Negeri, Selengor at a monthly rental of RM12,000.

Management informed us that AFE had then sub-let the factory premises to the Company. With the approval of the Board, the Company had also taken over the above existing lease from AFE on 1 February 2018. The lease had expired on 14 July 2018 and the Company had not formally exercised the option to renew the lease but had continued to pay rental to the landlord at the existing rental rate. Management had informed us that the factory is currently used for laboratory testing purposes, and serves as an office and warehouse for laboratory test equipment, pipes and other equipment required for the production site.

We had, on 12 July 2019, visited the Microalgae Plant and the factory premises nearby with Mr Kim and Mr Luke Ho. During the site visit, Mr Kim had showed us the setup of the Microalgae Plant and explained to us how the Microalgae Plant would have operated if production had commenced. Presently, there is no operation as the tanks and equipment lay idle. Our observations are as follows:

- In the open field of the Microalgae Plant site, we have sighted the following:
    - The site area was fenced up but only a portion of the land area was cleared with about 468 tanks arranged neatly in rows of 12 each. There were in total 39 rows. This represents a third of the proposed set up of 1,500 tanks on the site assuming full completion of the Microalgae Plant;
    - These tanks are made of plastic material and are about 2.6 m tall. These tanks are supposed to be filled with water and where the algae seeds are supposed to be put in to grow and multiply. However, as the initial test phase had met with contamination issues, these tanks have all been drained out of the contaminated microalgae when we visited the site. However, in view of the tropical weather in this area, some of the tanks are partially filled with rain water. The Management said that they had from time to time drained out these rainwater;
    - The overhead crane which is the harvesting machine has been installed near these tanks. Mr Kim had demonstrated the working condition of the crane and explained that it is presently not fully automated as the necessary software and parts has not been fully installed yet pending receipt of the balance funds from the Company; and
    - Aside from the Company's operations, Mr Kim also set up 10 tanks on the site next to the harvesting machine as a pilot project to demonstrate his successful growth of the microalgae. This demo project, we understand from Mr Kim, is to demonstrate the viability of the microalgae project to potential investors. The Company had thus allowed Mr Kim to carry out demo project on the site.
- We also visited the factory premises which are located a short drive away and sighted the following in the factory premises:

- The factory premises are quite bare, with a big warehouse area which is mainly used for storing equipment like water pipes which are supposed to be fixed to each of the tanks to be set up; a huge metal mould which is to be used to produce the plastic tanks from resins; some unused tanks and various tests equipment and a prototype oil extraction equipment.

- Of the 300 kg of algae seeds, most of these algae seeds have already been used. Only a few plastic bags of frozen algae seeds remained in the freezer which is insufficient to start the growth of microalgae; and

- Aside from the warehouse, the factory has a small meeting room, an office and a small laboratory. The laboratory is now mainly unused but has some test equipment and samples of bio-mass.

- We also noted that Mr Kim had some of his equipment/small tanks in the factory and/or is using the available test equipment in the factory. The Company had apparently allowed it.

10.2.3 Patents

The Company had disclosed that AFE had performed substantial research and development on the process and technology of microalgae oil cultivation and had obtained the rights to the use of the following patents from Mr Kim:

(a) Cultivation Patent

The cultivation patent ("**Cultivation Patent**") is a patent for microalgae cultivation tank utilizing aeration to deliver carbon dioxide and circulation of microalgae. This patent with registration number 10-2014-0005028 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 1014002704 and was in the process of being granted.

(b) Harvesting Machine Patent

The harvesting machine patent ("**Harvesting Machine Patent**") is a patent for the harvesting machine with registration number 10-1294655 and was published on 9 August 2013 at KIPO.

It was stated that the above patents were enforceable for 20 years from the date of the relevant patent registration.

We had conducted internet searches on the above patents and our findings are summarized as follows:

	Patent	**Findings**
(1)	Cultivation Patent Registration no. - 10-2014-0005028	**Applicant name :** Trans Algae Co., Ltd **Inventor** : Kim Jae Hoon, Korea **Application No./date:** 1020120072821 (4 July 2012) **Unexamined publication No./date :** 1020140005028 (14 January 2014) **Registration No./date :** 1014377240000 (28 August 2014) **Publication date :** 5 September 2014 **Date of Decision to Grant Registration (Trial Decision):** 26 June 2014 **Expected Date of Expiration:** 4 July 2032 (20 years)

	Patent	Findings
		Registration of Extinguishment Date of Cause of Registration**:** 29 August 2017 Cause of Registration: non-payment of registration fee Registered on: 8 June 2018 **Legal status :** Ended The patent was filed with KIPO.
(2)	Same patent as (1) and filed in Malaysia under the registration no. – PI 2014002704	**Applicant name**: Mr Jae Hoon Kim **Inventor** : Mr Jae Hoon Kim **Application Date** : 22 September 2014 **Legal status** : Refused The patent application was filed with the Intellectual Property Corporation of Malaysia.
(3)	Harvesting Machine Patent Registration no. - 10-1294655	**Applicant name :** Trans Algae Co., Ltd **Inventors** : Rhee Gwang Jin, Korea and Kim Jae Hoon, Korea **Application date:** 8 May 2013 **Registration No./date :** 1012946550000 (2 August 2013) **Publication date :** 9 August 2013 **Date of Decision to Grant Registration (Trial Decision):** 30 July 2013 **Expected Date of Expiration:** 8 May 2033 (20 years) **Registration of Extinguishment** Date of Cause of Registration**:** 3 August 2016 Cause of Registration: non-payment of registration fee Registered on: 5 July 2017 **Legal status :** Ended The patent was filed with KIPO

Source:

(1) KIPO website; and
(2) Intellectual Property Corporation of Malaysia website.

We observed from the above searches that the Cultivation Patent and the Harvesting Machine Patent appeared to be validly registered patents at KIPO when the Microalgae Project was first announced on 22 June 2016. However, the holders of the above patents are stated as Trans Algae Co., Ltd and are not in Mr Kim's name. The Cultivation Patent filed in Malaysia was stated as "Refused" which differs from the Company's disclosure that it was in the process of being granted.

In response to SGX-ST's queries on 17 July 2017, the Company had stated that the patents were duly registered in Korea and under Mr Kim's name, and these patents were also registered in Malaysia and awaiting approval from the relevant authorities.

Our findings above showed that the Cultivation Patent registered in Korea had ended on 8 June 2018 and the Harvesting Machine Patent registered in Korea had ended on 5 July 2017, and the Cultivation Patent registered in Malaysia was refused. The actual validity period of these patents are much less than the 20 enforceable years that the Company had disclosed publicly.

Management clarified that they did not check on the validity period of the patents and did not follow-up on the status of these patents as they had relied on Mr Kim's representations.

Management also explained that Mr Kim is the founder and CEO of Trans Algae Co., Ltd which is also known by the Management as TAC Corp. Pursuant to our interview with Mr Kim on 12 July 2019, Mr Kim had clarified that Trans Algae Co., Ltd is incorporated in Japan and 100% held by him, while TAC Corp is incorporated in Korea, also 100% held by him. The full interview notes with Mr Kim is set out in Appendix C to the Report.

10.2.4 Similar patents being used by other companies

Sino Construction Limited (changed name to MMP Resources Limited on 11 August 2015)

On 27 January 2015, Sino Construction Limited ("**Sino Construction**"), a company listed on the Mainboard of the SGX-ST, announced a proposed joint venture with Primeforth Special Situation Fund Limited ("**Primeforth**") to undertake the business of generation and sales of electricity from renewable energy sources, namely biofuel. Primeforth was described as a special purpose company incorporated in Cayman Islands, owning all proprietary and patented technologies, know-how and trade secrets in respect of the cultivation, harvesting and manufacturing of biofuels from microalgae, currently and hereafter developed by Peter Kim Jae Hoon (inventor) as well as investment or as business entity for all businesses in respect or otherwise connected to microalgae biofuels.

On 3 February 2015, Sino Construction announced that its wholly-owned subsidiary, Magnum Energy Pte Ltd, had entered into a joint venture agreement with Primeforth to jointly own Magnum Modular Power Generation Pte Ltd ("**MMPGPL**") to undertake the micro power plant project in South Korea.

On 11 August 2015, Sino Construction assumed its present name MMP Resources Limited ("**MMP**").

On 15 November 2015, MMP announced, *inter alia*, that it had entered into a binding sale of shares agreement dated 13 November 2015 to sell its entire 70% equity stake in MMPGPL to Primeforth for a cash consideration of S$500,000. The NAV of the sale shares in MMPGPL was S$0.7 million. MMP would also write-off S$1.6 million owed to it from MMPGPL. MMP had disclosed that its placement exercise was affected by its market share price which fell below the placement issue price, and as a result without sufficient funds to continue the construction of the micro power plants in 2016, MMP felt it prudent to avoid risking a breach of the terms in relation to the joint venture with Primeforth by failing to meet the agreed commitments, while continuing to absorb losses by having an incomplete rollout model.

In conjunction with the disposal of its 70% stake in MMPGPL, MMP had entered into a management services agreement with Primeforth, pursuant to which MMP would oversee the finalized construction of the second micro power plant and manage the operations of 2 micro power plants for a monthly management fee. However, on 8 December 2016, MMP announced that it had reached a settlement agreement with Primeforth in respect of unreimbursed expenses and unpaid fees of S$1.0 million owing to MMP under the management services agreement.

Innopac Holdings Limited ("**Innopac**")

On 22 September 2015, Innopac, another company listed on the Mainboard of the SGX-ST, had announced that it had signed a joint venture agreement with Primeforth Renewable Energy Limited (formerly known as PF Special Situation Fund Limited[(6)]) to form a joint venture company to commercially cultivate and process microalgae using Primeforth's proprietary, patented know-how and technologies with special focus on the recovery of algae oil as fuel sources. The project required investment of US$12.5 million which included capital investment on an EPC contract on a turnkey basis and working capital requirements for the project's operations. The plant was estimated to have a capacity of produce 20 MT/day of microalgae oil. The plant was expected to be completed and operational within 6 months.

Note:

(6) We believe PF is short for Primeforth and PF Special Situation Fund Limited (as mentioned by Innopac) is the same as Primeforth Special Situation Fund Limited (as mentioned by Sino Construction).

Management acknowledged that the above microalgae project by Innopac and Primeforth are similar to the Microalgae Project to be carried out by the Company. Management also disclosed to us that the Company was approached earlier by Primeforth as one of the potential investors to create a joint venture with them to undertake the Microalgae Project but the Company did not proceed further with Primeforth.

Mr Kim

Both Sino Construction and Innopac had relied on Mr Kim's patents and his proprietary knowledge on the microalgae oil cultivation. In the Sino Construction and Innopac's cases, the projects were carried out through joint venture companies owned jointly by the SGX-ST listed companies and Primeforth. Management was aware that Mr Kim was involved in the project undertaken by Sino Construction and understand from Mr Kim that the failure of the project was due mainly to the market pricing factors of the power market in Korea. In the case of Innopac, Management had clarified with Mr Kim who had confirmed that he had nothing to do with the microalgae project with Innopac or with Primeforth.

In the case of Magnus, Management explained that they were convinced of the project after seeing the results of the nursery plant by AFE and as the Company will be dealing directly with Mr Kim, who through AFE, will be constructing and managing the plant for the Company. AFE was also supposed to process the microalgae cultivated at Magnus' plants into bio-oil at its bio-oil processing plant and to secure offtake buyers for the processed bio-oil.

Innopac and Magnus

Innopac's microalgae plant was said to be located at Kundang, Selangor, Malaysia. Magnus' Microalgae Plant is also located at Kundang, Selangor, Malaysia. This had led to some confusion as both plants seemed to be operating at the same location around the same time in 2016.

We were appointed by Innopac to carry out an investment process review in 2018. Our findings on Innopac's microalgae project are set out in our report entitled "**Report on the Investment Processes of Innopac**" dated 23 November 2018, a copy of which was released by Innopac on 30 November 2018 on the SGXNET ("**Innopac Review Report**"). Based on our findings in the Innopac Review Report, it was disclosed in a progress report in June 2016 that Primeforth had secured the land in Kundang for their microalgae project, that Mr Kim and Primeforth had approached Innopac to consider co-locating both Magnus and Innopac's projects on the same Kundang site as the site of 6 acres (equivalent to 2.43 hectares) was considered very big. Subsequently, Primeforth also proposed to Innopac the sharing of the harvesting machine as the harvesting machine could take on a large capacity and was expensive.

On 17 June 2016, Innopac disclosed that it was unlikely to provide the full funding of US$12.5 million by November 2016 and was considering down-sizing the project. By September 2016, Innopac had advanced S$6 million (US$4.5 million) to Primeforth, the amount that was required to complete phase 1 of the project with production capacity of 5 MT/day, on the understanding that Innopac could share the harvesting machine with Magnus. Eventually, management of Innopac explained that Magnus did not agree to share the harvesting machine with Innopac and hence, in May 2017, Innopac and Primeforth decided to sell the project as the down-sized facility was not able to achieve the optimal results. On 15 July 2018, Innopac had, in its announcement on its interim audit for the 12 months period ended 31 December 2017, disclosed that Innopac and Primeforth had agreed to terminate the project.

Management of Magnus had clarified that Innopac had approached the Company to share the Kundang land site and the harvesting machine, that the Company had responded to Innopac that it was willing to share the harvesting machine with Innopac but not the land site as the 2 pieces

of land about 2.7 hectares (or approximately 6.7 acres) is for the Company's installation of 1,500 tanks and the Company would not have excess land space to share with Innopac.

Based on the lease agreements on the 2 pieces of adjacent land, the tenant of the land sites then was AFE. The disclosure in the progress report in Innopac's case that Primeforth had secured the land in Kundang for their microalgae project seems to be at odds with the above.

An extract of our findings on page 119 of the Innopac Review Report is attached in Section 10.11 of this Report for your reference.

Mr Kim's patents

Innopac had disclosed that Primeforth was incorporated as a special purpose company in Cayman Islands to house the patents registered in the name of Mr Peter Kim Jae Hoon. Primeforth owned all the proprietary and patented technologies, know-how and trade secrets in respect of the cultivation, harvesting and manufacturing of biofuels from microalgae, currently and hereafter development by Mr Kim. Innopac had disclosed that 6 of these patents belonged to Primeforth.

Among these 6 patents, we note that 3 of them are the same or similar to the patents that were mentioned by the Company that are owned by Mr Kim which he in turn had granted to AFE and MEG the non-exclusive rights to use the patents, namely the Cultivation Patent registered with KIPO, the same Cultivation Patent registered in Malaysia and pending approval, and the Harvesting Machine Patent registered with KIPO.

Details on these patents are set out in Section 8.2.3 of the Innopac Review Report.

As disclosed in Section 8.2.3 of the Innopac Review Report, Patent 1 referred to therein is the same as the Harvesting Machine Patent, Patent 2 is the same as the Cultivation Patent filed in Malaysia and in the process of being granted, and Patent 3 is the same as the Cultivation Patent registered at KIPO except that in the case of Innopac, the Patent 3 had referenced it to the application number (1020120072821) whereas in the case of AFE, they had referenced the patent by the unexamined publication number 10-2014-0005028.

Based on our findings on these patents as shown in the table in Section 10.2.3 above, we note that the Cultivation Patent and the Harvesting Machine Patent that were filed in Korea were neither registered in the name of Mr Kim nor Primeforth. Instead, the holders of these patents were stated as Trans Algae Co., Ltd. These patents have since been deregistered in 2017/2018. In addition, both Patent 2 and the Cultivation Patent registered/filed in Malaysia had been refused by the Intellectual Property Corporation of Malaysia.

10.2.5 Relationship with Mr Kim

Pursuant to the Conversion Agreement, if the conditions precedent were not satisfied or waived parties to the agreement by 15 November 2017 ("**Long-Stop Date**") or such later date as agreed in writing by the parties, and the Microalgae Project is not successfully completed in accordance with the terms of the EPC Contract, the Conversion Agreement will terminate.

The Company confirmed that there was no written agreement to extend the Long Stop Date and neither was any of the contracts formally terminated, including the Conversion Agreement, EPC Contract, O&M Agreement and the Patent License Agreement. Essentially the project was stalled until the contamination issues were resolved and the contamination issues could not be satisfactorily resolved until the Company was able to secure sufficient funding to proceed further.

Likewise, while the Company is still in contact with Mr Kim, Mr Kim is not actively involved in the project presently.

10.3 Utilisation of funds for the Microalgae Project and recourse of EPC Contract

The Company had relied on Mr Kim's assessment of the project costing of US$12.75 million as he had presented to the Company and the Company had acknowledged that the Microalgae Project is a customized one including work to be carried out by AFE, and certain components and technology, like harvesting machine and algae seeds, are proprietary to Mr Kim.

Based on Management's information, the US$9.55 million incurred thus far for the project was utilized for the following key items:

Main items	Qty	Unit cost (US$)	Budget (US$)	Actual funds utilized (US$)
Project management/engineering consultant	1	1,500,000	1,500,000	987,354
Culture tanks	1,500	1,800	2,700,000	900,000
Harvesting machine	1	4,000,000	4,000,000	3,500,000
Algae seeds (kg)	300	10,000	3,000,000	3,000,000
Plumbing works	1,500	420	630,000	600,000
Civil construction/drawing/land clearing	1	500,000	500,000	500,000
Others	-	1,500,000	420,000	61,713
Total			**12,750,000**	**9,549,067**

Management had informed us that 500 culture tanks have been installed. Hence, US$900,000 had been disbursed to AFE.

From our site visit, Mr Kim had explained that the harvesting machine was almost fully installed, short of putting in the software to make the machine fully automated.

Management had explained that almost all of the 300 kg of algae seeds have been used and as contamination had set in on the microalgae, the monies spent on the algae seeds are considered as sunk costs.

Management had explained to us that the original plan for the microalgae production was to put in 20 kg of algae seeds in each of 12 tanks (to form a row) to grow, of which the seeds are expected to double in volume each day. The new growth will then be used to replicate in subsequent rows of tanks, up to 1,500 tanks (125 rows). The Company had utilized 240 kg of the algae seeds in its first attempt to grow the microalgae and had succeeded to grow the microalgae up to 60 tanks until the time when contamination had set in. The remaining algae seeds were also almost fully used when the Company tried to salvage the algae from contamination.

Management had informed us that all the contaminated microalgae have been cleared from the 60 tanks. By the time of our site visit, we sighted only empty tanks and tanks partially filled with rain water.

From our site visit, Mr Kim had explained to us that he had used 100 kg of algae seeds in just one tank and had successfully grown the microalgae into 500 tanks. However, he had then harvested all the microalgae from the tanks and removed them all from the tanks as he was upset, *inter alia*, that the Company had not continued with the payment of the balance funds.

Under the arrangement on the Microalgae Project, Mr Kim explained that he would purchase a certain algae strains from a third party, grow these strains into the algae seeds in his own nursery and then sell these algae seeds to the Company at the contracted price of US$10,000 per kg. This, Mr Kim says, is much cheaper and he can control the quality of the algae seeds. The Company is to source the algae seeds from Mr Kim.

The Company understands that the above arrangement is a cheaper alternative compared to buying the algae strains seeds directly from third parties, which Mr Kim said would have cost approximately US$120 per test tube which contains algae strains of 0.01 gram and would have taken a much longer time to grow.

Management clarified that there is minimal or no recourse for the Company under the EPC Contract if the plant is not completed. The Company had funding issues which Management acknowledged had caused some delay during the construction phase.

10.4 Financial feasibility study and valuation report by an independent professional valuer ("Valuer")

At the Board meeting held on 2 February 2017, it was noted that in view of urgency, the Valuer had been engaged to perform a valuation report and a feasibility study for Microalgae Project ("**Valuation Report**"). The report was requested by AFE for the purpose of inviting investors and AFE would make the payment first. The engagement of the Valuer was confirmed, approved and ratified by the Board. The engagement letter with the Valuer was signed by Mr Luke Ho.

In the subsequent Board meeting on 8 May 2017, Mr Luke Ho updated the Board that the quality of the Valuation Report was not expected, hence, payment to the Valuer was not made.

Management explained that they were shown a draft copy of the valuation report and feasibility study report and as Management felt the report was unrealistic, they decided not to have the report completed, and hence did not make any payment to the Valuer. Management understand that AFE had pursued the valuation report directly with the Valuer on its own. The Valuer did not pursue further with the Company.

10.5 Company's responses to SGX-ST's queries

The Company had responded to 3 sets of significant SGX-ST queries on 17 July 2017, 12 October 2018 and 4 April 2019 in relation to its Microalgae Project. Our review of the Company's responses based on our findings and our understanding from Management are set out below.

10.5.1 Company's responses to SGX-ST's queries on 17 July 2017

(a) Company's response to queries 1, 2, 3 and 4. The Company gave support to its decision in investing in the Microalgae Project and a list of reference materials to its due diligence carried out prior to investing in the Microalgae Project. The Company had illustrated the market potential, demand prospects for bio-fuels, particularly microalgae, as renewable energy.

However, for the proposed project with AFE, the Company had mainly relied on Mr Kim and his representations on the prospects of building and operating the potential commercial project from scratch in Selangor, Malaysia. More importantly, the Microalgae Project is dependent on the technical know-how, patents, microalgae cultures and the harvesting machine, all of which are to be provided by Mr Kim. While Mr Kim's nursery plant in Malaysia had proven successful, the Microalgae Project on a commercial scale has not been done before in Malaysia. By 22 June 2016, when the Company announced the Microalgae Project with AFE, Innopac had already shown signs of delay in their microalgae project. Innopac's microalgae plant was also reported to be in the same location as Magnus' Microalgae Plant.

The Company's responses to the SGX-ST queries did not show how its Microalgae Project would be managed differently, especially when there were no successful precedent cases.

Management clarified that it was aware of Innopac's microalgae project and Mr Kim's non-involvement in that project as explained in Section 10.2.4 above. Management's confidence in the Microalgae Project then was because the Company was dealing directly with Mr Kim. Management was also confident then that it could tap on the Notes Issue

program and other funding sources for the project. However, by the time the Company wanted to draw on the Notes Issue program, the subscriber's interest for the Notes was waning and the Notes Issue program was expiring.

(b) Company's response to queries 5, 6, 7 and 8. These queries relate to the Cultivation Patents owned by Mr Kim and disclosed by the Company to have been filed in Malaysia and pending approval.

It is quite clear from the disclosures by the Company that the Microalgae Project is dependent on Mr Kim and his patents, namely the Cultivation Patent and the Harvesting Machine Patent. Mr Kim had granted the legal rights for the use of the patents to AFE. Pursuant to the Patent License Agreement between the Company and Mr Kim, Mr Kim had on behalf of itself and AFE, granted the non-exclusive use of these patents to MEG.

However, the Company had responded that the patent filed in Malaysia was for the tank and harvesting machine, that there was very little concern to the Company whether or not this patent was eventually approved as it pertained mainly to hardware designs, that without the confidential know-how on the cultivation methodology, copycats will not be able to successfully use the same hardware.

The Company further confirmed that the outstanding patent application in Malaysia has no impact on its microalgae cultivation operations and that there would be no legal implication.

We note, however, that the patent to be registered in Malaysia pertains to the Cultivation Patent and not the Harvesting Machine Patent, and such filing in Malaysia dated 22 September 2014 had, in fact, been refused by the Intellectual Property Corporation of Malaysia.

The Company also confirmed that it does not have exclusive use of the patents and Mr Kim can grant the use of the same patents to other companies.

The Company confirmed that Mr Kim had granted to Magnus the use of the patents, which was approved in Korea and valid till about year 2033 and Mr Kim was seeking to have the same patent registered in Malaysia. The use of patent was independent of the outstanding patent application with the Intellectual Property Corporation of Malaysia.

We note that (i) the Cultivation Patent registered in Korea had ended on 8 June 2018 and the Cultivation Patent filed in Malaysia had been refused; (ii) the Harvesting Machine Patent registered in Korea had also ended on 5 July 2017; and (iii) the Cultivation Patent and Harvesting Machine Patent registered in Korea were not in Mr Kim's name but under the name of Trans Algae Co., Ltd.

Management explained to us further on the patents:

(i) The Company is not aware of and did not follow up on the status and validity period of the patents, that Mr Kim did not inform the Company of the same. Mr Kim is the founder and CEO of Trans Algae Co., Ltd which is also known by the Management as TAC Corp. As set out in Section 10.2.3 above, Mr Kim had clarified that Trans Algae Co., Ltd is incorporated in Japan and 100% held by him, while TAC Corp is incorporated in Korea, also 100% held by him;

(ii) When the Company made reference to the patent filed in Malaysia is for the tank and harvesting machine, they meant the Cultivation Patent; and

(iii) The Company realised that, on the contrary, these patents are actually not important and the success of the project really depends on the cultivation know-how or secret recipe which Mr Kim has but did not register as a patent to avoid publication.

(c) Company's response to queries 9, 10, 11 and 12. These questions relate to whether the Company had considered the issues that other SGX-ST listed companies might have faced in their microalgae oil cultivation projects.

The Company had responded that based on its discussions with Mr Kim, it had concluded that the lack of project funding was the main cause of failures in these other SGX-ST listed companies. The Company had confirmed that it had sufficient financial resources from internal funds and existing Notes Issue program to fund the Microalgae Project at the budgeted cost of US$12.75 million, of which is expected to break even in 4 years.

In response to the SGX-ST query on why the Board is confident that the Company's venture would not turn out to be like the other SGX-ST listed companies, the Company said it was dealing directly with Mr Kim and was confident of raising sufficient funds in due course to complete the project.

From our findings, we note that these other SGX-ST listed companies referred to by the SGX-ST are Sino Construction and Innopac. A brief on each of their attempted ventures into the microalgae related projects is set out in Section 10.2.4 above.

In both Sino Construction and Innopac's cases, the projects were entered into through entities jointly owned between these SGX-ST listed companies (70%) and Primeforth (30%). Primeforth was described as the owner of the patents, know-how and trade secrets in respect of the microalgae oil cultivation developed by Mr Kim. In the case of Magnus, it had contracted AFE to build and operate the plant for the Company. Mr Kim is the director, shareholder and founder of AFE, and he had granted to AFE and Magnus the use of his patents.

The Company had as early as 2 February 2017 and on 8 May 2017 disclosed delays in its Microalgae Project due to the lack of funds. Yet the Company had confirmed affirmatively in response to SGX-ST queries on 17 July 2017 that it has sufficient funds to complete the project.

Management explained that it had underestimated the timing of the funds flow available to the Company to fund the completion of the project e.g. the winding down of Mid-Continent and the disposal of assets took longer than expected and interest on the issue of notes under the Notes Issue program had waned.

To-date, the Company had funded 75% of the budget cost of the project. Based on the Company's announcements on the update of the Microalgae Project from February 2018 to 28 June 2019, the Company had reported that the Microalgae Project could not take off commercially as yet due to technical issues relating to the microalgae growth and contamination on the microalgae in the tanks.

Management further expanded that the contaminated microalgae cannot be salvaged and new microalgae cultures of the same or better strains are required to gradually and periodically replace and re-populate the tanks. To achieve this, the Company requires sufficient funding, which it does not have presently.

(d) Company's response to query 13. The Company gave a positive update of its immediate plan and future expansion of its Microalgae Plant which could be further expanded from the initial projected capacity of 1,500 tanks to 2,400 tanks.

10.5.2 Company's responses to SGX-ST's and Sponsor's queries on 12 October 2018

(a) Company's response to queries 7, 8, 9, 10 and 11. These queries relate to when and how test procedures can be carried out and the outstanding capital investment required before the Company can commenced production.

On 28 May 2018, the Company announced that it had engaged a reputable professional certification firm to establish a test procedure on the microalgae crude oil production and extraction.

In response to the SGX-ST queries on 12 October 2018, the Company had clarified that it had not formally engaged the professional firms as yet, but was in discussion with the multinational professional certification firms on the test methodology as such tests are new in Asia; that once the test results are stable, the Company expects to commission the professional certification to be carried out at the end of 2018, after which production can commence.

The Company updated that there were various issues such as underground water quality which had affected growth rates and oil extraction test results, and until satisfactory stable test results are obtained, production cannot commence.

The Company had then spent US$9.4 million(7) on the project since July 2016 and the outstanding amount owing to AFE on the Microalgae Project is US$3.4 million, which is payable only when the entire site is completed with 1,500 tanks and the required maintenance equipment has been installed. The Company explained that its rationale and strategy is to work on the existing 492(8) tanks as a pilot plant to demonstrate its commercial viability before putting in the remaining capital expenditure to install the remaining 1,000 tanks.

Notes:

(7) Based on the confirmation from AFE as set out in Section 10.1 above, the Company had paid to AFE in total US$9.55 million. Management explained that the difference is due to foreign exchange conversion.

(8) The Company had disclosed 500 tanks in their update announcement on the Microalgae Project on 28 March 2018. Management clarified that the actual number of tanks installed is 492 as the tanks are laid out in rows of 12 tanks each. During our site visit, we counted 468 tanks installed at the site and another 10 tanks for Mr Kim's pilot project.

Management had provided further insights on the above:

(i) The engagement of professional certification firm - the Company meant "engaged in discussions with the professional firm" and not the actual appointment of the professional firm.

(ii) The Company had installed 492 tanks in total on the site. It started growing the microalgae in 12 tanks which quickly replicated into 60 tanks, by which time contamination had set in due to multiple factors including air borne and water borne contamination. Production had then stopped. The contaminated microalgae has now been removed from the tanks.

(iii) The Company is using the factory which it had taken over from AFE to carry out lab test and other experiments to re-grow the microalgae, but otherwise is containing overhead cost on the plant.

10.5.3 Company's responses to SGX-ST queries on 4 April 2019

(a) Company's response to queries 1 and 2. This query is in relation to contamination of the microalgae.

The Company acknowledged that contamination had occurred in the plant when it attempted to start production in early 2018 with 12 tanks which expanded into 60 tanks. The Company also cautioned that contamination was expected in an open cultivation set up and that such biological issue does not affect the PPE hardware. However, due to the delay in production, the Company may have to make a technical provision on its investment in the project for FY2019.

The Sponsor was of the view that as the contamination has now led to the overall delay of the Microalgae Project, the Company should publicly disclose this information.

The Company, however, believed that none of the information that it had disclosed thus far was misleading to encourage any market activities, as it had not announced the start of production for the project. The Company highlighted that contamination remains an inherent risk of the Microalgae Project and needs to be properly managed.

We note that in the minutes of the Company's AGM held on 30 October 2018 (a copy of which is available on the Company's website at www.magnusenergy.com.sg), in response to a shareholder's query, Management had pointed out contamination of the microalgae as one of the reasons the Company is unable to bring the plant to full production.

From our review of the transaction, the Microalgae Project which was supposed to be completed by December 2016 was delayed initially by the lack of funding which the Company had provided periodic update announcement on the matter. By the time the Company attempted to start production around March 2018, the operations were affected by contamination issues. However, the Company did not disclose contamination as the issue but had instead disclosed unstable growth rate of the microalgae as the reason for the delay in production until the Company's responses to SGX-ST queries on 4 April 2019.

Rule 702 read together with Practice Note 7A Continuing Disclosure (Part II What Constitutes Material Information) of the Catalist Rules might have required the Company to disclose the contamination issues as the reason for the protracted delay in the production of the Microalgae Plant and to have such information released on the SGXNET. Hence, publishing the minutes of AGM meeting where contamination was disclosed only on the Company's website might be deemed insufficient.

(b) Company's response to query 3. This query is in relation to expected timeline for major milestones for the Microalgae Project and, failing which, alternative plans that the Company will take.

The Company had responded that it was in discussions with a Singaporean scientist to tackle the contamination issues and the production inefficiency of the plant. However, the discussion is preliminary and there is no certainty of any success of the outcome and the Company is unable to provide a firm timeline on the production start date.

Given the current situation, the Company had provided some indicative timeline of events which it will update Shareholders on a quarterly basis:

- Current - address the contamination issues and consider collaborations with various parties, for potential funding and technical expertise.
- June 2019 – potential provision for impairment on its investment in the Microalgae Project for FY2019 in view of the delay in production.
- September 2019 – target to resolve the microalgae growth issues or assess the viability of the project.
- December 2019 – target to start production.

The Company had committed to provide more timely updates to Shareholders on the Microalgae Project.

Management highlighted that presently, the Microalgae Project cannot proceed further until the Company can address the 2 critical matters, i.e. sufficient funding and the expertise and know-how to operate the plant.

Source:

(1) Company's announcement dated 22 June 2016, 7 November 2016, 2 February 2017, 8 May 2017, 17 July 2017, 29 August 2017, 31 October 2017, 6 February 2018, 28 March 2018, 10 May 2018, 29 August 2018, 2 November 2018, 11 February 2019, 4 April 2019, 10 May 2019, 28 May 2018 and 28 June 2019;
(2) EPC Contract between MEG and AFE dated 22 June 2016;
(3) O&M Agreement between MEG and AFE;
(4) Patent License Agreement between Mr Kim and MEG dated 22 June 2016;
(5) Email correspondences between the Company and Sponsor dated 16 June 2016;
(6) Company's circular to Shareholders dated 13 October 2014 in relation to (i) The proposed diversification of business; and (ii) The proposed issue of up to S$35,000,000 in aggregate principal amount of redeemable convertible notes;
(7) Directors' resolutions in writing pursuant to the Company's constitution dated 22 June 2016 and 1 February 2018;
(8) Directors' resolutions in writing pursuant to the constitution of the Company dated 27 September 2017;
(9) Company's minutes of Directors' meeting dated 2 February 2017;
(10) Company's minutes of AC meeting dated 8 May 2017;
(11) SGX-ST's sponsors dialogue for FY2015;
(12) Conversion Agreement between MEG and AFE dated 27 September 2017;
(13) Company's annual report for FY2018;
(14) Progress Report prepared by AFE and submitted to the Company dated 20 July 2016, 15 September 2016, 30 September 2017, 31 October 2017, 30 November 2017, 31 December 2017, 31 January 2018, 28 February 2018, 30 March 2018, 31 April 2018, 30 May 2018, 31 June 2018 and 31 August 2018;
(15) Company's circular to Shareholders dated 14 October 2017 in relation to (i) The proposed allotment and issuance of up to 3,000,000,000 new Shares in the capital of the Company to AFE pursuant to the Conversion Agreement dated 27 September 2017; and (ii) The possible transfer of controlling interest in the Company to AFE arising from the Outstanding Amount Conversion;
(16) Companies Commission of Malaysia company profile of AFE, retrieved on 22 September 2017 and 25 June 2019;
(17) Tenancy agreements between MEG and the landlord in relation to site HSD 36514 and HSD 36515 dated 1 February 2018;
(18) Tenancy agreement between AFE and the landlords in relation to site HSD 36514 and HSD 36515 dated 21 June 2016 and 1 July 2016;
(19) Sublease agreement between AFE and MEG in relation to site HSD 36514 dated 1 July 2016;
(20) Email correspondences between the Company and the landlord of site HSD 36515 dated 14 June 2019;
(21) Tenancy agreement between AFE and the landlord in relation to the factory premises dated 21 June 2016;
(22) Tenancy agreement between MEG and the landlord in relation to the factory premises dated 1 February 2018;
(23) Sino Construction's company announcements dated 3 February 2015, 27 January 2015, 11 August 2015, 15 November 2015 and 8 December 2016;
(24) Innopac Review Report; and
(25) Company's minutes of the Company's AGM held on 30 October 2018.

10.6 Interview with Mr Kim

During the site visit to the Microalgae Plant on 12 July 2019, we had met up with Mr Kim for the purpose of clarifying with him some of the Company's representations and our understanding of the transaction. The interview notes, which have been seen and confirmed by Mr Kim, are set out in Appendix C to this Report. The proposed questions are set out below:

S/N	Queries	Comments from Mr Kim
1.	The Company had understood from you that the main failure of the projects undertaken by other SGX-ST listed companies were due to lack of project funding. We note that these other SGX-ST listed companies are Sino-Construction and Innopac. How were you involved in these projects which led you to conclude that funding was the main reason for the failed projects? What gave you the confidence then that the Microalgae Project with Magnus will be successful?	
2.	You have granted to AFE and MEG the non-exclusive use of your various patents in relation to the microalgae cultivation. Have you also granted these patents to other SGX-ST listed companies? The Company is of the view that these patents are not critical to the success of the Microalgae Project but your know-how recipe, which is not patented, is. Do you agree with the above view?	

S/N	Queries	Comments from Mr Kim
	How then do you see through the successful completion of the Microalgae Project, should you decide not to cooperate after the significant amount has been invested in the partially completed plant? What about the original intention for AFE to buy over the bio-processing plant from Weschem? Was it also due to lack of funds?	
3.	It was disclosed in the announcements by the Company on 22 June 2016 and 12 July 2017 that you owned 3 patents, 2 filed in Korea and 1 filed in Malaysia (pending approval). We note that the 2 patents filed in Korea (Cultivation Patent and Harvesting Machine Patent) were registered under Trans Algae Co., Ltd.. How are you related to Trans Algae Co., Ltd.? How is your company, TAC Corp., related to Trans Algae Co., Ltd? We also note that the patent filed in Malaysia under the registration no. PI 2014002704 was refused. When was the application refused? Did you inform the Company regarding the status? The 2 patents filed in Korea were eventually deregistered in 2017/2018 due to non-payment of registration fees. What are the reasons/background to not maintaining the registration of these patents? How critical are the above patents to your microalgae projects?	
4.	Since the announcement of the Microalgae Project in June 2016, the Company had by early 2017 mentioned delays in the project due to funding. In July 2017, in response to the SGX-ST queries, the Company had, based on discussions with you, concluded that lack of project funding was the main cause of failures by the other SGX-ST listed companies, and the Company was confident on its project with you as it is dealing directly with you and is confident of raising sufficient funds to complete the project. The Company did not seek the Contractor Financing from AFE, although such source of funding was made available as disclosed in the first announcement in June 2016. Could you explain the background to this and why such financing was not offered to the Company, which would have resolved the funding issue for the Company?	
5.	In September 2017, MEG and AFE entered into a Conversion Agreement to convert up to S$3 million of the outstanding contract cost into new Shares which would give you/AFE a controlling interest in the Company and the Chairmanship of the Company, subject to *inter alia* the successful completion of the Microalgae Project. The Long-Stop Date for the Conversion Agreement has expired on 15 November 2017 and has not been extended by the parties to the Conversion Agreement, and the project has not been successfully completed. Given the above, what is your understanding with the Company on the status of the Conversion Agreement and the Microalgae Project which seems to have been stalled due to contamination issues which the Company have not resolved yet? How are you involved in assisting the Company to solve the contamination issue?	

S/N	Queries	Comments from Mr Kim
6.	The culture tanks, harvesting machine and algae seeds are big ticket items in the total budget cost. Can you explain how these costings were derived and how the total cost of US$12.75 million for the plant was determined, given that there were no successful precedents of similar projects in Malaysia or elsewhere in the region? You charged Innopac US$12.5 million for the project, slightly cheaper than Magnus' project of US$12.75 million?	
7.	AFE had initially issued progress reports to the Company in July 2016 and September 2016, but stopped subsequently for about 1 year until September 2017, when upon requests from the Company's External Auditors, AFE resumed issuing regular monthly progress reports until 31 August 2018. Why didn't AFE continue to issue the progress reports after 31 August 2018?	
8.	During the period from March 2018 to February 2019, the Company had announced that the plant was in the growth testing, conditioning phase of the harvesting machine and oil extraction test phase, and the results of the growth rate of the microalgae was unstable. By April 2019, the Company acknowledged that it was facing contamination issues on the microalgae and production could not proceed. How involved were you at the various stages? Being the expert in this field and the project partner with the Company, did you help the Company solve these operational issues? If not, why not? The difference is actually not S$6 million but US$3.2 million, being the difference between US$12.75 million and the paid up amount of US$9.55 million.	
9.	What is your role in the Microalgae Project now? Are you still under contractual obligations to complete the project? If so, how do you plan to take this project forward?	
10.	You are brainchild of the project and has the secret recipe. What happens when you are no longer around? How does the project continue by itself?	

10.7 Interview notes with Directors

The Directors who had approved the Microalgae Project, with the input from key Management, were:

Directors	Key Management
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr John Ong (ceased as a Director on 30 June 2019)	
Mr Nick Ong	

The Microalgae Project has not been aborted yet although it has been stalled due to the impasse that the Company is facing. Since the time when the Company embarked on the project on 22 June 2016 and up to the Review Date, there were changes to the composition of the Board. The Directors and key Management who had oversight on the Microalgae Project were:

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Directors	Key Management
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon	
Mr John Ong (ceased as a Director on 30 June 2019)	
Mr Nick Ong	
Mr Charles Madhavan (appointed on 2 April 2018 and ceased to be a Director on 30 October 2018)	
Mr Wee Liang Hiam (appointed 1 June 2019)	

We have interviewed the relevant Directors, and our interview notes with them are set out in Appendix C to this Report:

S/N	Queries	Comments from Directors
1.	As the Microalgae Project is dependent on Mr Kim, what measures have you recommended for the Company to mitigate its risk of dependencies? e.g. growth of the microalgae was dependent on Mr Kim's secret recipe. The Company presently has not found solutions to the contamination issues that it is facing at its plant. e.g. the EPC contract is dependent on AFE and Mr Kim to build a successful and operational plant. The project is currently stalled and the Company says that it has no recourse against AFE as the EPC Contractor. e.g. the Company is also dependent on AFE/Mr Kim in securing offtake agreements for the microalgae oil.	
2.	The Company did not engage professional's help in the drafting and advising on the terms of the various agreements and carrying out due diligence on the feasibility of the project, given that there were no similar precedent cases and the known proposed projects had met with some issues. e.g. there was limited or no recourse clause in the EPC Contract e.g. the Company's disclosures of the patents were inaccurate. Why did you not consider the need for legal or professional advice in the event the Microalgae Project is not successfully completed and what due diligence checks were carried out to ensure the disclosure of accurate information?	
3.	As early as February 2017, the Company had disclosed that there were delays in the completion of the project due to the lack of funds. Did the Company formally request from AFE the Contractor Financing? If yes, why was it not made available to the Company contrary to the Company's announcement? If not, why did the Board not consider tapping on the Contractor Financing for the Microalgae Project to solve the funding problem?	
4.	The Company is now facing contamination issues in the project which it could not be resolved unless the Company can address the 2 critical matters i.e. securing sufficient funding and getting the expertise and know-how to operate the plant. How does the Board intend to address the above outstanding matters? How does the Board intend to engage Mr Kim in the Microalgae Project? What role does he play in solving the contamination issues?	

S/N	Queries	Comments from Directors
5.	Given the status of the Microalgae Project, what measures does the Board intend to take: • To recover the S$12.95 million cost invested in the plant, if the Company decides to abort the project • To proceed expeditiously to complete the project and commence production • Post mortem analysis of the transaction	

10.8 Interview notes with the Sponsor

We have interviewed the Sponsor on the following, and our interview notes with them are set out in Appendix C to this Report:

S/N	Queries	Comments from Sponsor
1.	With reference to Section 10.1, what was your basis to agree with the Company that Shareholders' approval was not required for the Microalgae Project? In hindsight, do you think the Company should have obtained Shareholders' approval for the Microalgae Project? If not, please elaborate.	

10.9 Interview notes with the External Auditors

We have interviewed the External Auditors on the following. However, consent was not granted by Moore Stephens to attach our interview notes with them in this Report.

S/N	Queries	Comments from External Auditors
1.	You have identified the valuation of the Microalgae Plant as a key audit matter in the Company's financial statements for FY2017 and FY2018, but had not recommended any impairment on the amount. How would you consider the protracted delay in completion of the plant and/or commencement of production as a factor for impairment? You have assessed Management's value in use (VIU) model in conducting the need for impairment. Would you have considered an independent valuation of the project to give better support in conducting the impairment review, given that there were no similar precedent cases and the investment cost represented 36% and 52% of the NAV of the Group for FY2017 and FY2018 respectively.	

10.10 Summary of our recommendations in relation to the transaction "Microalgae Project" and Directors/Management's responses

From our review of the above transaction, we have set out below key areas for the Company's consideration and which we would recommend the Company to adopt/incorporate in its Investment Policy going forward:

S/N	Recommendations
1.	If there are any material changes to the proposed terms/structure of investment previously announced, the Company ought to disclose in their subsequent announcement the material changes and the rationale behind the changes. Similarly, if there are material development e.g. contamination issues which caused the delay of the project, these should be disclosed by the Company in a timely manner. e.g. the Company had announced that the plant will sit on a land of approximately 1.4 hectares. Subsequently, the Company had leased an additional plot of land, making the aggregate land size 2.7 hectares. The Company, however, did not made any announcements on the above changes. e.g. the Company had disclosed the contamination issues only upon the SGX-ST queries on 4 April 2019.
2.	The Company should consult its Sponsor, and if necessary, the SGX RegCo, on the interpretation of the Catalist Rules e.g. on whether Chapter 10 of the Catalist Rules applies to the transaction, on whether the proposed transaction is an existing core business of the Group, taking into consideration the size of the transaction and the nature of the project. e.g. please see Section 10.1 above.
3.	The Company should obtain periodic progress reports on the project. e.g. the progress report had stopped completely since 31 August 2018.
4.	The Company should appoint professional advisers to advise on the terms of the various agreements and conduct due diligence on the feasibility of the project, given that there were no successful precedent cases.
5.	The Company should carry out proper checks to ensure that information disclosed in announcements are accurate, complete and substantiated. e.g. the disclosures that the owner of the patents is Mr Kim. However, we note that the holders of the patents are stated as Trans Algae Co., Ltd and are not in Mr Kim's name. Management has explained that Mr Kim is the founder and CEO of Trans Algae Co., Ltd which is also known by Management as TAC Corp. Notwithstanding the above mentioned, the Company should have made more informed disclosures. e.g. the Cultivation and Harvesting Machine Patents registered in Korea are enforceable for 20 years from the date of patent registration and the cultivation patent in Malaysia was in the process of being granted. However, the actual validity period of these patents are much less than what the Company had disclosed publicly and the status of the patent filed in Malaysia was refused.
6.	The Company should ensure that all material information should be disclosed on the SGXNET and should consult its Sponsor on what constitutes material information, if in doubt. e.g. please see Section 10.1 and Section 10.5.3 above.

The relevant Directors have confirmed that they are agreeable to our recommendations set out above during their respective interviews.

10.11 Extract of Innopac Review Report

Extract of page 119 of the Innopac Review Report:

"*We noted that based on the progress report in June 2016, Primeforth had secured the land in Kundang, Selangor, Malaysia for the Microalgae Project. Mr CY Wong explained that Mr Kim and Primeforth had approached the Company to discuss co-locating both Magnus and the Company's projects on the same site as the piece of land of 6 acres was very big. Subsequently, Primeforth also proposed to Mr CY Wong the sharing of the harvesting machine as the harvesting machine could take on a large capacity and was expensive.*

By September 2016, the Company had extended S$6 million to Primeforth, which was the required amount to complete Phase 1 of the Microalgae Project on the understanding that the Company could share the harvesting machine with Magnus. As at 31 December 2016, the Company had classified the Microalgae Project as investment in joint venture.

Mr Wong explained that eventually, Magnus did not agree to share the harvesting machine with the Company, and hence, the Company's view was that the down-sized project could not achieve optimal results, and had also decided to sell the project when there was an expression of interest from a buyer. As at 31 March 2017, the Company re-classified the Microalgae Project as "assets classified as held for sale"."

11. CEO AND DIRECTOR'S LOANS TO THE COMPANY

11.1 Overview

11.1.1 On 27 April 2017, the Company announced that it had entered into 2 separate loan agreements, one with Ms Seet Chor Hoon for a sum of S$500,000 and another with Mr Luke Ho for a sum of S$150,000, totalling S$650,000, on the following salient terms:

(a) Term: repayable in full at the end of 12 months from the disbursement date. However, either party can repay or call for the repayment of the loans in full after 3 months from the disbursement date;

(b) Interest rate: 10% per annum, payable monthly in arrears;

(c) Security: the loans are unsecured; and

(d) Purpose: for working capital requirements as the Board shall decide at its sole discretion.

Ms Seet Chor Hoon is the Independent Director of the Company and Mr Luke Ho is the CEO (but not a Director) of the Company, and the loans from them were classified as interested person transactions pursuant to the Catalist Rules. However, as the interest payable on the loans was less than 5% of the Group's then latest audited NTA, approval from Shareholders on the loans was not required.

The Board and the Audit Committee of the Company had reviewed the terms of the loan agreements and were satisfied that the loan agreements are not prejudicial to the interests of the Company and its minority Shareholders.

11.1.2 As the announcement on 27 April 2017 had left out the date of the loan agreements, the Company had on 28 April 2017 released a clarification announcement that the Company had entered into the loan agreements on 26 April 2017.

11.1.3 On 3 May 2017, the Company announced that the proceeds of S$650,000 from the loans had been fully utilized for the Company's microalgae oil cultivation facility in Malaysia.

11.1.4 On 27 April 2018, the Company announced that it had entered into separate supplemental loan agreements with Ms Seet Chor Hoon and Mr Luke Ho on the same date to extend their loans for a further 12 months to 27 April 2019 at the same interest rate of 10% per annum. The Company had made reference in this announcement to the loan agreements on 26 April 2017.

It was also disclosed in the announcement on 27 April 2018 that thus far, S$100,000 had been repaid to a Director, leaving an outstanding sum of S$550,000 owing to the Director and the CEO.

The Board and the Audit Committee of the Company had also reviewed the terms of the supplemental loan agreements and are satisfied that the supplemental loan agreements are not prejudicial to the interests of the Company and its minority Shareholders.

11.1.5 In the Business Times article on 26 June 2018 entitled "*Magnus Energy confirms former MD's lawsuit*", it was reported that Mr Charles Madhavan, the former Managing Director of the Company, had raised concerns about certain past transactions made by the Company including the Company's loans from Mr Luke Ho and Ms Seet Chor Hoon at the interest rate of 10% per annum, and which was spent on the Company's microalgae oil cultivation facility in Malaysia.

The Company had responded to the above *via* SGXNET announcement on 12 October 2018 among responses to other queries raised by Mr Charles Madhavan, the SGX-ST and the Sponsor. The key points made by the Company in relation to the loans from the Director and the CEO were as follows:

(a) that the Company had borrowed from a financial institution in April 2016 a secured loan at the interest rate of 10% per annum; and

(b) the Company had used the above interest rate as a benchmark and assessed that the loans from the Director and the CEO which are unsecured and at the same rate of 10% per annum was therefore within market rate.

11.1.6 On 31 December 2018, the Company announced that the loans, including all accrued interests, have been fully repaid to the Director and the CEO on 31 December 2018.

11.2 Our review of the CEO and Director's loans to the Company

11.2.1 Based on the loan agreements provided to us, we note that the loan agreements were dated 27 April 2017, contrary to the Company's clarification announcement on 28 April 2017 that the loan agreements were entered into on 26 April 2017.

We also noted that:

(a) Management had sent out an email to the Directors to seek their support and approval for the loans on 21 April 2017, and the Directors had responded positively to the loans on 21 April 2017 and 24 April 2017.

(b) Formal approvals to approve the loan agreements with the Director and the CEO were obtained *via* the passing of the AC resolutions and Board resolutions dated 27 April 2017.

The Directors who approved the CEO and Director's Loans were Mr Kushairi Bin Zaidel, Mr John Ong and Mr Nick Ong. Ms Seet Chor Hoon had abstained from voting but signed the AC resolution and Board resolution for notification purpose.

We note from the Company's bank statement for April 2017 that the amounts of S$500,000 and S$150,000 were credited into the Company's bank account on 27 April 2017.

(c) The AC resolutions and Board resolutions had attached the loan agreements and they were in fact dated 27 April 2017.

The Company's internal records of its documentation differ from its public announcement, that is, the internal records showed the loan agreements dated 27 April 2017 while the Company's public announcement clarified that the loan agreements were entered into on 26 April 2017.

(d) The Board resolutions had attached the Company's SGXNET announcement which actually disclosed the date of the loan agreements as 27 April 2017.

The Company's internal records of its SGXNET announcement differ from its public announcement released on the SGXNET, that is, the public announcement released on 27 April 2017 had left the date in brackets, as extracted below, (highlighted for your easy reference) whereas the internal records showed the SGXNET announcement with the date showing 27 April 2017:

> The board of directors (the "Board" or the "Directors") of Magnus Energy Group Ltd. (the "Company" and together with its subsidiaries, the "Group") wishes to announce that the Company had on [date] entered into the following loan agreements:

The AC and the Board each comprised the same members, namely Mr Kushairi Bin Zaidel, Mr John Ong, Mr Nick Ong and Ms Seet Chor Hoon (who had abstained from voting but signed for notification purposes).

The AC and the Board had approved of the extension of the loans from the Director and the CEO on 26 April 2018. AC and Board members who had reviewed and approved the terms of the supplemental agreements are the same members who had approved the loan agreements, but also included Mr Charles Madhavan, who was by then a Director of the Company.

11.2.2 At the time when the loans from the Director and the CEO were first made on 27 April 2017, the then latest audited NTA of the Group was S$27.6 million as at 30 June 2016. Being an interested person transaction, the amount at risk was determined by the interest payable on the loans, which amounted to S$65,000 per annum, representing 0.2% of the above NTA.

At the time when the loans from the Director and the CEO was extended on 27 April 2018, the then latest audited NTA of the Group was S$30.8 million as at 30 June 2017. As the interest payable on the loans from the Director and the CEO remained at 10% per annum, the amount at risk continued to represent 0.2% of the latest audited NTA.

Notwithstanding that the loans from the Director and the CEO constituted as an interested person transaction that does not require approval from Shareholders (as it represented less than 5% of the audited NTA of the Group) and is not a disclosable transaction (as it represented less than 3% of the audited NTA of the Group), the Company had made the announcements on the loans from Director and the CEO on a voluntary basis.

11.2.3 Management had explained that it found itself to be short of funds of approximately S$1 million in early 2017 to finance, in particular, the Microalgae Project. The Company was unable to obtain loans from traditional banking sources and drawing down of another S$0.5 million from its Notes Issue program was insufficient.

Hence, during the Board discussions in February 2017, Mr Luke Ho had proposed the provision of loans from Directors and/or CEO, on an unsecured basis, for a one-year term loan and at an interest rate of 10% per annum which is similar to the S$3.5 million secured convertible note from Financial Frontiers.

Among the Directors and the CEO, Ms Seet Chor Hoon and Mr Luke Ho were agreeable to provide the loans to the Company on the terms as set out in Section 11.1.1 above.

As a background, as disclosed in the Company's annual report for FY2018, the Notes Issue program was provided by Premier Equity Fund (as subscriber) and Value Capital Asset Management Private Limited (as arranger) on 3 September 2014 pursuant to which the Company could issue up to S$35 million of redeemable convertible notes due 2017. These convertible notes bear interest at a rate of 2% per annum and are unsecured. In total, S$26 million of the unsecured convertible notes had been issued and fully converted into new Shares. The Notes Issue program had expired on 6 November 2017.

The secured convertible note with Financial Frontier was entered into on 5 April 2016 for a principal amount of S$3.5 million and bears interest at a rate of 8.0% per annum, to be paid in advance. The convertible note is secured on a fixed and floating charge on the Company's undertakings and assets and is due 180 days from the date of drawdown. An arranger fee equal to 3% of the loan amount was payable to Financial Frontier. On 7 October 2016, the Company and Financial Frontier entered into an amendment agreement to extend the loan to 31 March 2017 on the same terms and with an extension fee of S$35,000, representing 1% of the convertible note. The Company had fully redeemed the convertible note of S$3.5 million on the maturity date.

We note that the interest rate on the secured convertible note from Financial Frontier was 8% per annum, contrary to the Company's response to the queries as disclosed in Section 11.1.5 above. However, together with the arranger fee of 3% and an extension fee of 1%, the all-in-cost on the loan from Financial Frontier would have been equivalent to approximately 12% on a per annum basis. The terms of the convertible note from Financial Frontier was the most recent comparison at the time of the proposed loans from the Director and the CEO.

The Company concurred that it ought to have verified the interest rate and rate for the arranger fee for Financial Frontier and to state the actual rates pertaining to interest and fees in the previous announcement on 12 October 2018, instead of an inaccurate exact rate of 10%.

11.2.4 Overall, we note the following in relation to the loans from the Director and the CEO:

(a) the Company had sought the approvals of the AC and Board to enter into the loans and the extension of the loans from the Director and the CEO and the Board had sole discretion as to the use of proceeds for the working capital requirements of the Group;

(b) the Company had made the voluntary announcements of the loans from the Director and the CEO even though it was a non-disclosable transaction;

(c) the AC had given its views in the Company's announcements of the loans on 27 April 2017 and on the extension of the loans from the Director and the CEO on 27 April 2018 that the terms of the loans and extension, as the case may be, are not prejudicial to the interests of the Company and its minority Shareholders;

(d) the interest rate on the loans from the Director and the CEO of 10% per annum was lower than the all-in-cost of the secured convertible note from Financial Frontier of approximately 12% per annum, being the most recent loans extended to the Company by an unrelated third party. In addition, the loans from the Director and the CEO were unsecured and the Company did not incur any arranger fee or extension fee on the loans from the Director and the CEO;

(e) Mr Charles Madhavan, as the Managing Director of the Company then, had together with the rest of the Board members, approved the extension of the loans from the Director and the CEO on 26 April 2018; and

(f) The Company concurred that the date of 26 April 2017 made in the announcements on 27 and 28 April 2017 was an unintentional error. The correct date of the loan agreements should be 27 April 2017. The Company is cognizant and has taken immediate action to put in place the control measures before the release of announcements going forward. Each announcement will be sent to the Sponsor for compliance review and the contents of the announcement will be checked at least by the financial controller, CEO or the Company Secretary, before seeking approval from the Board.

***Source*:**

(1) Company's announcements on SGXNET dated 3 September 2014, 6 April 2016, 7 October 2016, 27 April 2017, 28 April 2017, 3 May 2017, 27 April 2018 and 31 December 2018;
(2) The Company's annual reports for FY2016 and FY2017;
(3) Directors' Resolutions in Writing Passed Pursuant to Article 112 of the Constitution of the Company dated 27 April 2017;
(4) Resolutions in Writing of the Audit Committee of the Company dated 27 April 2017; and
(5) Directors' Resolutions in Writing pursuant to the Company's constitution dated 26 April 2018 and 31 December 2018.

11.3 The Directors who had approved the CEO and Director's Loans, with the input from key Management, were:

Directors	**Key Management**
Mr Kushairi Bin Zaidel Mr John Ong Mr Nick Ong Ms Seet Chor Hoon, who had provided the loan, abstained on the deliberation of the loans.	Mr Luke Ho, CEO (who had provided the loan)

The Directors and key Management who had overseen the CEO and Director's Loans since 27 April 2017 until the repayment of the loans on 31 December 2018 were:

Directors	Key Management
Mr Kushairi Bin Zaidel	Mr Luke Ho, CEO
Ms Seet Chor Hoon (who had provided the loan)	(who had provided the loan)
Mr John Ong	
Mr Nick Ong	
Mr Charles Madhavan (appointed as Director on 2 April 2018 and ceased as Director on 30 October 2018)	

11.4 Summary of our recommendations in relation to the transaction "CEO and Director's Loans to the Company" and Directors/Management's responses

From our review of the above transaction, we have set out below key areas for the Company's consideration and which we would recommend the Company to adopt/incorporate in its Investment Policy going forward:

S/N	Recommendations
1.	The Company should carry out proper checks to ensure that information disclosed in announcements are accurate and are substantiated. e.g. the date of the loan agreements was first omitted in the Company's announcement and then clarified in a subsequent announcement that it should be 26 April 2017. However, the actual date of the loan agreements was 27 April 2017. e.g. in the Company's responses to the SGX-ST queries on 12 October 2018, the Company had disclosed that the interest rate on the CEO and Director's Loans were benchmarked against a secured borrowing from a financial institution at 10% per annum. This is not an accurate representation based on our findings in Section 11.2.4(d) above.

The relevant Directors have confirmed that they are agreeable to our recommendations set out above during their respective interviews.

12. Review of the Company's existing policies in relation to investment and M&A activities

The Company has the following policies which are relevant to its investment and M&A activities with the following caption titles:

(a) Corporate Disclosure Operation & Policy;
(b) Investment Policy; and
(c) Enterprise Risk Management Policy

12.1 Corporate Disclosure Operation & Policy

The Company has the following policies as extracted below. However, through our review of the Selected Transactions, we observed that the Company had not fully complied with these policies:

(i) "*1.1 The Exchange operates Catalist in accordance with Section B of the Listing Manual ("Catalist Rules"), with a view to promoting a fair, orderly and transparent market."*

(ii) *"1.3 An issuer shall have minimum standards of quality, operation, management experience and expertise and shall disclose information if a reasonable person would expect that information to have a material effect on the price or value of its listed securities."*

(iii) *"1.5 An issuer admitted to the Catalist Board must comply with the Catalist Rules:*

1.5.1 In accordance with the spirit, intention and purpose; and

1.5.2 By looking beyond form to substance."

(iv) *"1.6 An issuer shall ensure that its directors are responsible for the issuers' compliance with the Catalist Rules. The sponsor is responsible for advising the issuer on the interpretation and compliance with the issuer's obligations in the Catalist Rules."*

(v) *"1.9 Directors are responsible for the accuracy of the information submitted to the Exchange. Generally, the Exchange expects information to be submitted through the sponsor. The sponsor shall exercise due care and diligence in respect of all information that is submitted through it. The Exchange must be kept informed of all matters which be brought to attention."*

(vi) *"2.3 An issuer must announce and disclose all material information. If an issuer is unable to ascertain whether the information is material, or is in any doubt about the availability of the exceptions from the requirement to disclose material information, the recommended course of action is to announce the information via SGXNET."*

(vii) *"3.4 The Board and Management must ensure that all information contained in each Public Information is factual and not misleading."*

(viii) *"3.5 Diligence and care must be exercised in putting the relevant information together for each Public Information. Such information must not lead to a creation of a false market."*

(ix) *"4.1 Continuous training and update must be provided to the Board and Senior Management to familiarize with the Catalist Rules and general disclosure requirements."*

We note that the above Corporate Disclosure Operation & Policy was last updated on 1 December 2012 and approved by the Board on 6 February 2013. This policy has Appendix 7A "Corporate Disclosure Policy of the Exchange" of the Catalist Rules as an attachment.

The Selected Transactions were entered into after February 2013 which may mean that the policies were not catered to the type and nature of investments and projects that the Company had gone into, at the time when the policy was implemented. The Company had only started diversifying away from its oilfield equipment supply and services segment from 2013 to 2017.

As the existing policy is quite dated, relatively brief and general, we would recommend the Company to appoint a suitably qualified professional to assist the Company to re-look and expand on its existing policy taking into consideration our recommendations as set out in this Report and in the context of the type of investments and industries that the Group intends to embark on.

12.2 Investment Policy

Similarly, the Investment Policy of the Company was last updated on 1 July 2013 and approved by the Board on 15 July 2013.

The Investment Policy is also relatively brief and general.

Some of the stated matters do not seem to gel with the Selected Transactions as illustrated below:

(i) "*The policy strives to*
(a) achieve a sound control over the investments of the Group;
(b) manage risks exposure;
(c) *be accountable to the Board and stakeholders of the Group.*"

We have observed that there appeared to be a lack of sound control over the investments in some of the Selected Transactions as illustrated below:

- monies were transferred to unknown third parties and not to the contractual parties and the Company did not think it was necessary to enquire further on the payees or purpose of the remittance of monies to them;

- there is minimal or no control over where and whether the investments had actually been made, as the Company had mainly relied on the representations of the contractual parties;

- certain investments were subsequently impaired and recovery from the contractual parties was uncertain as the contractual parties are not responding to or engaging actively with the Company;

- certain contractual parties are entities with low paid-up capital and of unknown business activities, shareholders and background. The Company had mainly relied on a certain person to represent the contractual party, and otherwise is also not familiar with the contractual parties; and

- the Microalgae Project is heavily dependent on Mr Kim to build the plant, manage and operate the plant and supply the algae seeds. The Company had met with contamination issues on the growth of the microalgae and had not found a solution on its own yet. We were given to understand that Mr Kim is not engaging with the Company on resolving this issue yet until the Company had settled the balance contractual sum to AFE.

(ii) "*The Group's investment strategy leverages on the following competitive advantages:*
a. the core competency of the Group in the energy industry; and

b. *the deal flow arising from its association with industry associates.*"

The investments that the Company had made in some of the Selected Transactions are in new businesses which the Company had sought Shareholders' approval to diversify into. In other words, these are not the existing core competencies of the Group, which is in the oil and gas related businesses. The Mid-Continent business group has its own management team with corporate representatives from the Company and is run and managed independently from the Company.

The Company is also thinly staffed, the key Management consists of only the CEO. The Directors also acknowledged that lapses or inaccuracies in the Selected Transactions could be due to the lack of qualified staffing resources.

(iii) "*Positive cashflow is expected for each investment or acquisition. In lieu of feasible acquisition, the Group may invest its cash in liquid investments to maximize returns.*"

The Company had depended on the various fund raising exercises, in particular, the Notes Issue program, to fund the Selected Transactions. The drawdown of the notes and conversion of these notes from the Notes Issue program had resulted in a massive issuance of new Shares in spite of a 50-to-1 share consolidation exercise in April 2015. As at the Review Date, the Company has outstanding 12.6 billion Shares with a market capitalization S$12.6 million based on its market Share price of S$0.001 per Share, being the minimum trading price on the SGX-ST.

(iv) "*The investment period will vary and must be in compliance with the Group's strategic direction. The Group's intention is to acquire, hold and operate these investments for the long term purpose*."

Some of the Selected Transactions were made with the intention for a quick return e.g. the joint investment agreement with Yangtze Investment Partners, and the extension of working capital loans and RCL loans on the Road Projects, Dam Project and Kupang Land housing development project in Indonesia. These investments are more financing in nature and would not have required Management to be actively involved in the operation of these investments.

(v) "*Risk management is done through best efforts to ensure an investment focus relating to the core competency of the Group. It is further enhanced by ensuring an investment process is in place to allow for rigorous internal and independent review.*

Professional due diligence must be conducted with regards to, but not limited to, legal, financial and operational aspect.

Given the long term nature of its investments, the Group will attempt to ensure adequate cash flow and sustainability of each investment."

The above is found lacking in our review of some of the Selected Transactions.

(vi) "*Disbursement must adhere strictly to the duly signed original agreement. Instructions by any parties to the original agreement to make each payment to alternative parties except parties to the original agreement must be duly acknowledged by ALL parties to the original agreement.*"

We have observed in certain Selected Transactions that disbursement did not adhere strictly to the signed original agreement. Instead, payments were made to unknown third parties at the instructions of the contractual parties. Further, shares were also transferred to third parties at the instructions of the contractual party with no clarity and certainty of payment amount and time of payment upon the transfer of the shares. In addition, the third parties who had received the monies/shares did not acknowledge the receipt of the monies/shares from the Company. The Company's policy ought to be clear that

acknowledgement should not be confined to parties to the original agreement but to all parties involved in the transfer/receipt of the monies/shares.

Notwithstanding the above, we recommend that the Company should disburse monies only to its contractual counter-party and/or to pre-approved parties under the terms of the contract and not to unknown parties even if it is at the written instructions of its contractual party, unless deemed necessary after deliberations with and approval of the Board, which should be minuted. All payments should be supported by invoices and/or purpose of payment should be specified.

12.3 Enterprise Risk Management Policy

The Company's Enterprise Risk Management Policy is undated and consists of literature on the risk management, objectives, benefits, risk management oversight structure and role responsibilities, and further literature on risk management framework, purpose of the framework, company wide risk management framework, rating and description and a sample of risk & control template.

As an illustration, we have set out below certain extracts of the above policy:

"*1.3 The Company primarily operates in the financial services industry, which is ever-evolving and changing. Due to the rapid changes in the local financial services industry, impending liberation of the financial sector, developments in the international markets and increasingly demanding investors and regulators, there is a need for the Company to enhance its efforts in managing its risks.*"

The oversight structure sets out roles and responsibilities of the board of directors, audit & risk management committee, risk coordinator, risk owners and internal audit.

"*2.1 The risk management framework adopted by the Company is the Committee of Sponsoring Organisations ("COSO") of the Treadway Commission on Enterprise-Wide Risk Management ("ERM") Integrated Framework as illustrated below.*"

"2.2 COSO defines ERM as a process, effected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risks to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives."

"2.4 The ERM framework above consists of 8 inter-related components, derived from the way an enterprise is run and integrated with the management process. They are:

2.4.1 Internal environment – The internal environment refers to the tone of an organization and forms the basis for how risk is viewed and addressed by its people, including risk management philosophy and risk appetite, integrity and ethical values, and the environment in which they operate.

2.4.2 Objective setting – Corporate objectives have to exist beforehand, only then can management identify potential events that can affect their achievement. These chosen objectives should support and align with the entity's mission and should be consistent with its risk appetite.

2.4.3 Event identification – Internal and external events that could affect the achievement of an entity's objectives must be identified, differentiating between risks and opportunities, with the latter being re-channeled to management's strategy or objective-setting process. The company identifies the risks coming from any of the seven sources illustrated in the diagram below.

2.4.4 Risk assessment – Risks are analysed, in terms of likelihood and impact to determine how they should be managed. Risks are assessed on an inherent and a residual basis. Please refer to the matrix below used to assess the likelihood and the impact of risks. The respective definitions of the likelihood and significance of the risks can also be found below.

2.4.5 Risk response – Typical responses would be avoiding, accepting, reducing or sharing risks, i.e. implementing a set of action plans to align risks with the entity's risk tolerances and risk appetite.

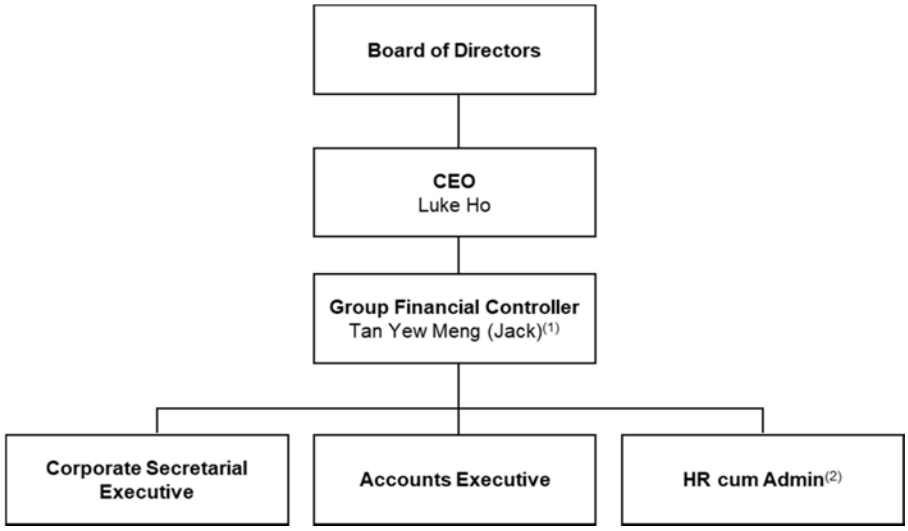
2.4.6 Control activities – Policies and procedures that are developed and implemented to enable the risk responses to be effectively carried out. The Company should develop additional internal controls, where necessary, if existing ones are insufficient to mitigate the high and moderate risks.

2.4.7 Information and communication – Relevant information is identified, recorded and communicated in a form and timeframe and should flow down, across and up the entity. The Company records the risks in the Risk and Control Template for each department, Please refer to Appendix 1 for a sample. All company-wide risks are then summarized in the risk register and communicated throughout the company and notified to the Board for effective management and monitoring of risks.

2.4.8 Monitoring – The ERM process is monitored and modified as necessary. Monitoring can be done via on-going management activities, separate evaluations or both."

Contrary to what is stated in the policy, we note that (a) the Company is not in the financial services industry; and (b) given its thin Management and Board structure, the Company would not have a risk coordinator and risk management committee which is separate from the Board.

The Company's organisation chart as at the Review Date is as follows:



Notes:

(1) Mr Jack Tan had resigned on 17 July 2019 and his position was replaced by Ms Annie See; and
(2) She is the spouse of Mr Luke Ho, the CEO.

In addition, the Company's internal audit is outsourced.

The Company had appointed Deloitte & Touche Enterprise Risk Services Pte Ltd as the internal auditor for the Group in place of HLS Risk Advisory Services Pte Ltd with effect from 22 July 2015. However, the scope of the internal audit were focused on Mid-Continent group and PT ESI,

a subsidiary of Flagship, and not on any of the Selected Transactions as the Company had not viewed them as operating business units.

Overall, it is difficult to ascertain how and if the Company had implemented and applied the above Enterprise Risk Management Policy in a practical manner with respect to its investment and M&A activities.

Based on our findings of some of the investments in the Selected Transactions, we would therefore recommend the Company to appoint a suitably qualified professional adviser to assist the Company to structure and implement a risk management policy in a practical and applicable manner that will cater to the Company's investment and M&A activities.

12.4 Management Letters from the External Auditors

We note that the External Auditors had issued Management Letters to the Company in connection with its audit of the Group's financial statements for FY2014 to FY2018 and only for FY2016 and FY2017, the management points raised by the External Auditors pertain to, *inter alia*, certain of the Selected Transactions as follows:

FY2016

(a) Kupang Land project, Road Projects and Dam Project

(i) There is a lack of detailed documentation on the evaluation of the costs and benefits of these projects;

(ii) There is a lack of detailed regular reporting on the status/progress of the projects; and

(iii) There is no documentary evidence of the impairment assessment performed by the Management for the RCL and the Group's invested monies held by PT Hanjungin in the projects as at 30 June 2016.

Management's comment to the above observations on the Kupang Land projects was "*All the necessary information has been provided prior finalisation of audit."* and on the Road Projects and Dam Project was *"The above projects has been cancelled prior finalisation of audit."*

We did not observe any progress report on the projects.

(b) Joint investment agreement with Yangtze Investment Partners

(i) There is a lack of detailed documentation on the evaluation of the merits of the joint investment;

(ii) There is a lack of regular reporting on the status of the joint investment from Yangtze; and

(iii) There is no documentary evidence of the credit assessment performed by Management on Yangtze.

Management's comment to the above observations was *"Noted"*.

We did not observe any progress report on the investment. In addition during our review, the Management had explained that it did not evaluate the counter-party risk of Yangtze delivering the guarantee when called upon or any due diligence checks on Yangtze but had relied mainly on the announcement by Opera on the non-binding heads of terms agreement involving SoloPower as well as Management's familiarity with Mr Patric Lim, the director of Yangtze.

(c) Microalgae Project

(i) There is a lack of detailed documentation on the evaluation of the costs and benefits of the investment in the Microalgae Plant; and

(ii) There is a lack of detailed regular reporting on the status/progress of the investment in the Microalgae Plant.

Management's comment to the above observations was "*All the necessary information has been provided prior finalisation of audit."*

AFE had initially issued progress reports on the Microalgae Project to the Company in July 2016 and September 2016 but stopped subsequently for about one year until September 2017 when upon the requests from the Company's External Auditors, AFE resumed issuing regular monthly progress reports to the Company on the status of the construction of the Microalgae Plant until 31 August 2018, being the last progress report received by the Company.

FY2017

(a) Lack of detailed regular reporting on the status/progress of the Kupang Land project and the investment in the Microalgae Plant; and

(b) No formal documentation on the impairment assessment for the RCL held by PT Hanjungin as at 30 June 2017.

Management's comments to the above observations are *"Noted. All the necessary information has been provided prior finalisation of audit."*

Please see point (a) and (c) above for our observations in relation to the Kupang Land project and the Microalgae Project.

Profiles of past and present Directors of the Company

(as extracted from the Company's annual reports for FY2013, FY2014 and FY2018)

Present Directors

Mr Kushairi Bin Zaidel

Mr Kushairi is currently the Non-Executive Chairman and Independent Director of the Company.

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

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

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

Ms Seet Chor Hoon

Ms Seet Chor Hoon is currently an Independent Director of the Company.

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

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

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

Mr Nick Ong Sing Huat

Mr Nick Ong is currently a Non-Independent Non-Executive Director of the Company.

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

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

His areas of practice encompass corporate commercial, employment and immigration, intellectual property & information technology, and mergers and acquisitions. He has been actively involved in capital markets and corporate advisory work, fund raising exercises, crossborder corporate

transactions for acquisition in fields such as renewable energy, mining and resources, shipping and other types of business assets. These acquisitions span countries such as Australia, Bolivia, China, Ghana, Malaysia and Indonesia.

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

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

Mr Wee Liang Hiam

Mr Wee Liang Hiam is currently an Independent Director of the Company. He was appointed on 1 June 2019. As his appointment in the Company is recent, we have extracted his profile below from the annual report of TMC Education Corporation Ltd (now known as Global Dragon Limited) where he was also an independent director and AC Chairman from 1 January 2016 to 14 February 2018.

Mr Wee has extensive experience in corporate finance and operational finance and had led successful merger and acquisition activities through the various stages from evaluation to the integration of the merged entities. Mr Wee had successfully undertaken the initial public offer (IPO) of an electronics distribution group with turnover of over SGD800 million (2004), a food manufacturing and distribution group (2007) in the main board of the Singapore Exchange, a property development group (2012) in the Catalist board of the Singapore Exchange and an entrepreneurship mentoring group (2015) in the Australia Stock Exchange. Mr Wee had also successfully participated in the reverse takeover (RTO) of a Chinese garment group, in their takeover of Friven & Co. Limited (2010). Mr Wee has more than 20 years' experience in operational finance roles having overseen financial matters and serving as the Chief Financial Officer of various public listed companies in Singapore. The industries that he had worked in ranges from biomedical, electronics, textile, food, industrial, trading, FMCG and property development. The turnover of these businesses range from S$10 million to over S$800 million, with the nature of business ranging from manufacturing, R&D, trading to retail.

Mr Wee also sits on the Boards of other listed companies as independent director. He holds a Master in Business Administration (MBA) from the Nanyang Technological University, a Bachelor of Business Administration Honours degree (BBA (Hons)) from the National University of Singapore, a Diploma in Education (Dip. Ed.) from National University of Singapore, a Post-graduate Diploma in Personnel Management (GDPM) from the Singapore Institute of Management and an Advance Certificate in Training and Assessment (ACTA) from the Workforce Development Agency of Singapore. Mr Wee is also a fellow member of the Institute of Singapore Chartered Accountant (FCA), a member of the Singapore Institute of Management (MSIM), and a member of the Singapore Institute of Directors (MSID).

Past Directors

Mr John Ong Chin Chuan

Mr John Ong was an Independent Director of the Company and AC Chairman. He resigned on 30 June 2019.

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

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

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

Mr Charles Madhavan

Mr Charles Madhavan was a former Managing Director (from 2 April 2018 to 26 May 2018) and stayed on as Non-Independent Non-Executive Director after his resignation as Managing Director until 30 October 2018 when the ordinary resolution for his re-election as Director was not passed during the AGM held on that day.

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

Note: GSS Energy Limited was formerly known as Giken Sakata (S) Limited.

Mr Goh Boon Kok

Mr Goh Boon Kok was a former Independent Director of the Company. He resigned on 2 July 2015.

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).

Mr Lim Kuan Yew

Mr Lim Kuan Yew was a former Managing Director of the Company. He resigned on 30 September 2014.

Mr Lim is the Managing Director of Magnus. As Managing Director, he is responsible for strategic planning, establishing future direction and business development of the Group, and oversees the Group's overall management and operations.

Mr Lim brings with him extensive experience in areas of auditing, marketing of financial services and stockbroking and has previously held senior positions in general management and strategic planning in both private and public listed companies in Malaysia. He was also the founding member of a Company which provides management and corporate services to clients in the fields of corporate restructuring, mergers and acquisitions, operations review and strategic planning.

He currently sits on the Board of several private companies in Malaysia and is the Executive Director of Xian Leng Holdings Berhad, a company listed on Bursa Malaysia. He is also a Board Member of Mid-Continent Equipment Group Pte Ltd., Antig Investments Pte. Ltd., MEG Management Sdn. Bhd. and ASX-Listed APAC Coal Limited, all subsidiaries of Magnus. His appointments have spanned both the private and public sectors, covering consultancy, energy, food, manufacturing, and retail and wholesale.

YBHG. Datuk Idris Bin Abdullah @ Das Murthy

Datuk Idris was the former Chairman and Independent Director of the Company. He resigned on 30 June 2014.

YBhg. Datuk Idris is the Chairman and Independent Non-Executive Director of Magnus. He is also the Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee.

Datuk Idris is a Senior Partner of Idris and Company Advocates, Kuching, Sarawak handling general legal practice comprising Banking practice (both drafting and litigation), land matters, general corporate work including due diligence, corporate restructuring and corporate insolvency litigation, Construction and Building work, Exchange Control work, Criminal litigation, Intellectual Property Litigation and general Civil litigation since 1989 and serves as Legal Advisor to a number of Sarawak companies.

He is the Chairman and Director of ASX-Listed Apac Coal Limited, a subsidiary of Magnus. He also holds several key positions in Malaysia and Singapore, namely as a Director of Bank Pembangunan (Malaysian Development Bank) Berhad, Chairman and Director of Pembangunan Leasing Corporation Sdn Bhd., Chairman and Director of PLC Credit & Factoring Sdn Bhd, Chairman and Director of BI Credit & Leasing Berhad, Chairman and Director of Bursa Malaysia listed company Xian Leng Holdings Berhad, and Director of Konsortium Rangkaian Serantau (Regional Network Consortium) Sdn Bhd and Malakoff Corporation Berhad.

Datuk Idris also served as a Commission Member of the Companies Commission of Malaysia (SSM) and as a Commission Member of the Malaysian Communications and Multimedia Commission (SKMM).

Datuk Idris graduated with First Class Bachelor of Laws (Honours) from Faculty of Law University of Malaya in 1981. He was admitted to the Roll of Advocates of the High Court of Malaysia in Sabah and Sarawak in year 1982. He was also admitted to the Roll of Advocates of Malaysia in Malaya in year 2007.

Mr Koh Teng Kiat

Mr Koh Teng Kiat was a former Executive Director and Chief Operating Officer of the Company. He resigned on 30 May 2014.

Mr Koh is an Executive Director and Chief Operating Officer of Magnus. He has an oversight role on the operations of the Group's business activities.

Mr Koh is a skilled management and corporate financial expert with over 28 years of business exposure in the Asia Pacific region. He has extensive experience in company operational and financial system restructuring having worked in diverse fields ranging from manufacturing, construction industry, resource to petroleum sector. He has also worked in public companies and in multi-national businesses. Presently, he is the Executive Director of APAC Coal Limited and sits on the board of all subsidiaries of Magnus in Singapore and Overseas. He is an independent non-executive director of Pollux Properties Ltd., a company listed on the SGX-ST.

Mr Koh is a Chartered Accountant from The Chartered Global Management Accountants. He is a Fellow Member of both The Chartered Institute of Management Accountants of the United Kingdom and Institute of Singapore Chartered Accountants.

Profiles of relevant Management of the Company
(as extracted from the Company's annual report for FY2018)

Profiles of relevant Management

Mr Luke Ho Khee Yong

Mr Luke Ho is the current CEO the Company.

He was the Regional Finance Manager of the Group from September 2006 to September 2009 and CFO of the Group from September 2009 to September 2011. He also assumed the role of Company Secretary in June 2010. He left the Company briefly to join Asiasons WFG Financial Ltd. (subsequently known as ISR Capital Limited and now known as Reenova Investment Holding Limited with effect from 5 July 2019) from October 2011 to June 2012 as their Company Secretary and Senior Vice President (Finance), before returning to the Company as CFO and Company Secretary from June 2012 to June 2015. He was made Interim COO on 1 July 2014, Interim CEO on 1 October 2014 and CEO on 2 June 2015. His appointment as COO and CEO was made following the resignations of the former COO, Mr Koh Teng Kiat, on 31 May 2014 and the former Managing Director, Mr Lim Kuan Yew, on 30 September 2014.

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

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

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

Mr Tan Yew Meng (Jack Tan)

Mr Tan was the Group Financial Controller and Deputy Corporate Secretary of the Company before he resigned on 17 July 2019. He was made Group Financial Controller since FY2018.

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

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

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

Mr Jack Tan was replaced by Ms Annie See on 16 July 2019.

APPENDIX C – INTERVIEW NOTES WITH DIRECTORS AND RELEVANT PERSONNEL

For the purpose of our Report, we have conducted interviews with the relevant Directors and other personnel in relation to the Selected Transactions. The Company had facilitated and/or arranged for us to conduct these interviews. Set out below is the list of personnel whom we have interviewed:

S/N	Personnel interviewed	Appointment	Date of interview
	Present Directors		
1.	Mr Kushairi Bin Zaidel	Non-Executive Chairman and Independent Director	18 July 2019
2.	Mr Nick Ong Sing Huat	Non-Independent Non-Executive Director	17 July 2019
3.	Ms Seet Chor Hoon	Independent Director	17 July 2019
	Past Director		
4.	Mr John Ong Chin Chuan	Independent Director and AC Chairman	13 July 2019
	Other relevant personnel		
5.	Mr Peter Kim Jae Hoon	Inventor of the patents in the Microalgae Project, and founder/director of AFE	12 July 2019
6.	Mr Bernard Lui	Registered Professional of Stamford Corporate Services Pte Ltd, the Company's Sponsor	19 July 2019
7.	Mr Allan Tan	Former partner of Virtus Law, legal counsel to the Company	15 July 2019
8.	<u>Representing the External Auditors</u>		18 July 2019
	Mr Neo Keng Jin	Partner & Head, Audit & Assurance, Moore Stephens LLP, (Partner in-charge as the External Auditors of the Company)	
	Mr Wong Koon Min	Partner, Head, Professional Standards, Moore Stephens LLP	
	Mr Chris Johnson	Partner & Head, Shipping Industry Group, Moore Stephens LLP (Concurring Partner)	

Where the relevant parties have given us their consents, we have attached our interview notes with them in this Appendix, namely, the above Directors, Mr Kim, Mr Bernard Lui and Mr Allan Tan. Consent was not granted by Moore Stephens LLP to attach our interview notes with them in this Report.

Interview with Mr Kushairi Bin Zaidel, Chairman and Independent Director on 18 July 2019

S/N	Queries	Comments from Mr Kushairi
	Disposal of GCM shares	
1.	With reference to Section 4.2.1 above, how should the Company disclose the purported sale of the GCM shares going forward?	Not to blame anybody, why the auditor did not pick it up? It should be assets available for sale. This is a basic accounting thing. Appreciate it is confusing, that it should be in the process of being sold. At the time also, we didn't have enough time and manpower. I was under the impression that it was sold and it was accepted by the auditor, we take it as within the accounting standard. The auditors are supposed to be the expert in accounting. Going forward, we need the advice of Sponsors and auditors, to make good the disclosure to the Shareholders.
2.	In the disposal of the GCM shares, the Company did not appoint a lawyer to advise on the sale arrangement with Thames Capital. What was the Board's deliberation on whether the Company should or should not appoint a legal adviser on the above?	At that moment, if I recall, we thought it was a simple transaction, just like buy and sell shares on the SGX, get a broker and be done with it. Now, it doesn't seem that simple. Furthermore, also cost consciousness.
3.	Given the absence of an update from Thames Capital on the cost, fees and losses to be borne by the Company and the final disposal of the GCM shares, what measures do Directors intend to take: • Recover the monies from Thames Capital • Make the relevant and accurate disclosures of the arrangement with Thames Capital • Post mortem analysis of the transaction	The last resort will be legal. But I will have to talk to Nick about it, Nick is our legal guy. In a way it's a blessing that a review is been done and we can leverage on it. We should go and see Thames Capital and work together as a team, and do what we are supposed to do. I do not know Patric Lim. Before that, I would prefer, get in touch with Patric Lim, talk to him normally as a professional. There is no reason why he cannot give back the money when it was sold, unless there is any dishonesty on his part. Similar to query 1, going forward, we need the advice of Sponsors and auditors on the disclosure.

S/N	Queries	Comments from Mr Kushairi
		On the post mortem analysis, I appreciate your recommendations in each of the transactions, and have no objection.
	Loans to Indonesian Contractor, PT Hanjungin	
4.	Did you know about the due diligence and did you deliberate on it?	I didn't do the due diligence, Ms Seet went. There is a mutual trust between Ibu Linda, quite a dynamic person. I have personally never met her. The market was there, we were sure it will not go wrong, with the Korean engineer, the (Linda's) husband. Seldom property goes wrong, but later there was some legal dispute which we did not expect. In Singapore and Malaysia, land dispute will not happen anymore once you clear all the approval for the project. It seemed funny, suddenly there is claims. Once that happen, the whole project was delayed. We did not anticipate that. In Indonesia, the most important thing is to find a trustworthy partner. Ms Seet to follow up, to see in person, see, smell and touch it, not to verify Luke but to second his opinion. Being a lady, has better 6th sense.
	With reference to Section 6.2.3, it was highlighted by the Indonesian Lawyers that the Land Collateral Agreement was not equivalent to nor executed to give effect of a first priority mortgage on the Kupang Land.	It could be due to the fees. Looking back, we should have register a charge. At that point of time, somehow, we just trusted Linda and knew she can deliver. She is a hardworking lady according to Ms Seet.
	Given that the Board was satisfied with the Indonesian Lawyers legal opinion, what was the basis for not disclosing the above fact in the Company's announcements and annual report?	Did not expect any claims and counter claims. We try to avoid unnecessary cost also. Looking back, cost has to be incurred. Frankly, we thought if collateral is enforceable, then it is collateral. Whether it is Land Collateral Agreement or mortgage, it is enforceable. The lawyer did not say it is not enforceable, it is only a matter of degree. As long as it is enforceable, it is a collateral. That was our impression. Why waste more money to get the mortgage when it might not be necessary. About this disclosure, it is a matter of judgement I think. After reading the report, I told Luke that whatever it is, try to be as detailed as possible. It might be lengthy,

S/N	Queries	Comments from Mr Kushairi
		but it is best to tell people since nothing to hide.
5.	Given the current status of the amount owing from PT Hanjungin even though the amount has been fully impaired, what measures does the Board intend to take: • To recover the monies owing from PT Hanjungin • Update Shareholders on the status of recovery of the monies • Post mortem analysis of the transaction Did the Company formally engage Nick's firm to provide legal advice?	The impairment was for accounting purpose. We have to recover the money. The last resort is legal and I am sure Linda will try her best. It might take time, but we have a duty to our Shareholders to recover. This one, we will need Nick's opinion also. No, but as a Director, we tap on his legal mind. To get legal advice is different, probably will need to get another firm so no conflict of interest. I accept the recommendations. The best would be to have a lawyer but at the end of the day, it is all about the money.
	Joint investment agreement with Yangtze	
6.	Given the current status of the amount owing from Yangtze, what measures does the Board intend to take: • To recover the monies owing from Yangtze (Mr Patric Lim, who is a director of Yangtze, is also involved in Thames Capital as its sole shareholder, which has outstanding amount owing to the Company in the Selected Transaction set out in Section 4 of this Report) • Update Shareholders on the status of recovery of the monies • Post mortem analysis of the transaction	Same answer to queries above: will call Patric Lim first and last resort is legal. We will talk to him properly because he has a lot to lose too. On update, we need good advice from our Sponsors. Post-mortem, we accept the recommendation and will look into it.
	Convertible loan with Revenue Anchor	
7.	Given our findings of the transaction and the Company's acknowledgement of our findings, what are the Directors' post mortem take-away points from the transaction with regard to:	I remember our discussion on whether to take it or leave it (regarding the transfer of GCM shares as settlement). Rather than taking the risk of losing the whole thing again, we need the money at that time with

S/N	Queries	Comments from Mr Kushairi
	• Appointment and scope of work of legal advisers • Disclosures of adequate and accurate information in the Company's announcements, responses to SGX-ST and Sponsor's queries and in the Company's annual reports • Update announcements of any material developments • Due diligence on its counter-party and clarity of understanding with counter-party on the terms of the agreement • Payment to parties other than the contracting party	some project, either PT Hanjungin or Microalgae Project. We accept, to have something now and recover the cost, rather than nothing. It would be better if have more, but during that time it is better to take it. I don't know whether we realise that at that time that the agreement was ineffective. The best way will be to pay to Revenue Anchor. Frankly, it is normal in the business world to assign payment with consent. Normally there will be evidence that approval was granted. But the best practice is still I owe you, I pay you, what you do with it, it is not my business. At the end of the day just disclose what is perceived to be important. It is judgmental also, on what to disclose and what not to. Now, we always go to the Sponsor to get his second opinion on whether sufficient or not. However, he can only advise on the information he received and his knowledge of the business. As Directors, we are dependent on information that Management give us. We have to support the Management, we cannot be seen as antagonistic as we need to work as a team. On the Board, we are always thinking how to get things moving and make money for Shareholders. Going forward, best policy is not to get involved in unnecessary complications (payment to third parties) even though it is a common thing, or else bring it up to the Board for deliberation. We take note of it.
	Microalgae Project	
8.	As the Microalgae Project is dependent on Mr Kim, what measures have you recommended for the Company to mitigate its risk of dependencies? e.g. growth of the microalgae was dependent on Mr Kim's secret recipe. The Company presently has not found solutions to the contamination issues that it is facing at its plant. e.g. the EPC contract is dependent on AFE and Mr Kim to build a successful and	We appreciate that it's all within him, this is a risk we have to take with every technology based projects. The whole thing belongs to the brain of the beholder. Based on the rapport, chemistry and relationship with the person. I have gone through a few cases personally, once something is not right, the person cut cost and disappear. We realise this risk but it's something we have to take and have no choice. Either you take the risk or leave it. To mitigate, I was telling Luke to keep abreast with him, be with him, get

S/N	Queries	Comments from Mr Kushairi
	operational plant. The project is currently stalled and the Company says that it has no recourse against AFE as the Contractor. e.g. the Company is also dependent on Mr Kim in securing offtake agreements for the microalgae oil. The Company got into contamination issue, why Mr Kim doesn't seem to be working with the Company to solve the issue?	engaged, be friends and learn as much as you can with people like that (Mr Kim). At one of our EGM, Mr Kim attended the briefing to tell the Shareholders. The Shareholders were appreciative of his explanation and supported his vision. We, the Board, acknowledged of his presence and his brain. Comparing this investment with palm oil, the cost is only 10% of palm oil capex. This project could have been a game changer for us. We know that he will have to involve a lot of people. We are the only one serious with him (Peter). I brought a few professors from UTM (Universiti Teknologi Malaysia). They are into algae also. We went to the plant and had a look at it and they want some funding to do some experiment. We need second and third opinion to mitigate, cannot just rely on Peter and need to prepare for the worse. There must be a way to solve it (contamination). I am sure the engineers can think about it.
9.	The Company did not engage professional's help in the drafting and advising on the terms of the various agreements and carrying out due diligence on the feasibility of the project, given that there were no similar precedent cases and the known proposed projects had met with some issues. e.g. there was limited or no recourse clause in the EPC Contract e.g. the Company's disclosures of the patents were inaccurate. Why did you not consider the need for legal or professional advice in the event the Microalgae Project is not successfully completed and what due diligence checks were carried out to ensure the disclosure of accurate information? Was there any similar projects done outside?	I think this is best answered by Luke. I am in Kuching most of the time. Mr Kim came to see us, he presented. I read his studies. My comment to Luke was if what he say is true, this can be a game changer. I've done a comparative study with palm oil. There is one in KL but is more for pharmaceutical and smaller volume.

S/N	Queries	Comments from Mr Kushairi
		They don't need too much algae, so probably they will be using different strain different breed of algae. According to Kim, he did one for Mitsubishi in Japan. I did tell Luke to go to Japan and take a look but then he did not as it was a cost issue. Should have gone to have a look at it. The one in Japan was more for facial and some cells. I was also looking at YouTube, there are a lot of things going on for algae. So I thought this must be the next sunrise business. If this is real, this must be a game changer. The way we structure this, as we do not have money: "if you do well, we give you 30%". If it's me, I would do my utmost to make sure that it operates as soon as possible. This was the best way to rope in his loyalty. We work as a team and partner, not just contractor. When Luke proposed the structure, I told him this is a win-win structure. I am willing to resign as chairman and Peter be the executive chairman.
10.	As early as February 2017, the Company had disclosed that there were delays in the completion of the project due to the lack of funds. Did the Company formally request from AFE the Contractor Financing? If yes, why was it not made available to the Company contrary to the Company's announcement? If not, why did the Board not consider tapping on the Contractor Financing for the Microalgae Project to solve the funding problem?	There were talks about it (Contractor Financing). We get engaged very well with Peter but think he has no money. Not that I know of. So there is a mutual understanding to find some other sources of funding. We did not want to destroy the relationship. With Contractor Financing will be better, but then if he's got the funding, then he would not have needed us. His idea is, the plant can be duplicated with a few players. No one will take the whole pie, to provide a critical mass to export to Europe. For him to fund everyone's project, it's not logical. We didn't have the time to do a detailed due diligence check, see the Korea plant.
11.	The Company is now facing contamination issues in the project which it could not be resolved unless the Company can address the 2 critical matters i.e. securing sufficient funding	We started with Kim, we have to end up with him. There is no going back. We have to find co-investors. Even if we dilute our Shares, never mind. We need to look at

S/N	Queries	Comments from Mr Kushairi
	and getting the expertise and know-how to operate the plant. How does the Board intend to address the above outstanding matters? How does the Board intend to engage Mr Kim in the Microalgae Project? What role does he play in solving the contamination issues?	bigger picture and holistically now. Now I have to play a bigger role, looking for co-investors, big boys, who can afford the research budget. Peter is the best guy around to continue with the project. UTM is 2nd opinion, and maybe Peter can also learn from them.
12.	Given the status of the Microalgae Project, what measures does the Board intend to take: • To recover the S$12.95 million cost invested in the plant, if the Company decides to abort the project • To proceed expeditiously to complete the project and commence production • Post mortem analysis of the transaction	We cannot afford to abort it. We have to think holistically now. We have the infrastructure there already. Now is the question of growing the algae properly. I am sure there are scientists who can do it. Maybe not on a commercial scale but batches by batches. The only answer is to find co-investors. Even if we get money from the sale of assets, we might not be able to reach the critical mass. I cannot understand, Peter is properly incentivised already. When he is successful, 30% (shareholding interest of the Company) goes to him and the chairmanship. It is so near yet so far. He could be just waiting for the balance money. I am quite reluctant to give the balance until he proves something. However, we still need to move forward.

I confirm that:

(a) I have read and understood the queries set out above;

(b) the responses set out to the queries above are mine and are true, accurate and not misleading in any respect; and

(c) I consent to the use and the disclosure of the information from my responses, the notes taken and / or documents provided by me in the course of the interviews with me by Provenance Capital Pte. Ltd. (**"Provenance Capital"**) for the purposes of the report to be prepared by Provenance Capital relating to, amongst other matters, the subject matter of the queries above.

Name: Mr Kushairi Bin Zaidel

Signed by: _____

Date: 21st July 2019

Interview with Mr Nick Ong Sing Huat, Non-Independent Non-Executive Director on 17 July 2019

S/N	Queries	Comments from Mr Nick Ong
	Disposal of GCM shares	
1.	With reference to Section 4.2.1 above, how should the Company disclose the purported sale of the GCM shares going forward?	I think it will be good to clarify the entire transaction (through announcement) and lay out in a way that is understandable and put in steps on what the Company is going to do to actually to sell or gain value from this transaction. If there had been lapses/mistakes, it is better to try to make it right, rather than going in circles. You have to do the right thing and fix these issues as and when they arise. It's a bit difficult because I have 2 board members who are based in Malaysia, I run a practice, Ms Seet has her own commitments and Luke is also very under resourced. The Board is all non-executive and unable to devote all their time towards engaging Management.
	Do you know who is Thames Capital? Do you know that Patric was also involved in Yangtze?	I've never come across them. I've never met Patric. My impression was that Patric is Yangtze. I didn't actually know that he had any interest in Thames.
2.	In the disposal of the GCM shares, the Company did not appoint a lawyer to advise on the sale arrangement with Thames Capital. What was the Board's deliberation on whether the Company should or should not appoint a legal adviser on the above?	I think I had a conversation with Luke about this, and what I was told is that this is a standard trade situation, why do you need counsel, why do you need an agreement, something along those lines, but I'm not sure exactly when I had that discussion with him. I recall that the sale arrangement was discussed at a Board meeting, where Luke listed out the different options from traders on the sale of the GCM shares and Thames had presented the only option whereby the Company would not have to put up any funds or collateral to Thames in order for them to sell the GCM shares.
3.	Given the absence of an update from Thames Capital on the cost, fees and losses to be borne by the Company and the final disposal of the GCM shares, what measures do Directors intend to take: • Recover the monies from Thames Capital	I think we need to get an opinion on what would be the most appropriate legal action going forward and I think that search for suitable counsel continues. That's for the aspect of possible case of suing for recovery. (In relation to the disclosures) I go back to my first response of setting out the picture right clearly and telling the market what the Company intends to do about this.

S/N	Queries	Comments from Mr Nick Ong
	• Make the relevant and accurate disclosures of the arrangement with Thames Capital • Post mortem analysis of the transaction	I personally feel that it's a step towards trying to establish confidence in the Company again.
	Do you think the arrangement with Thames Capital is deemed a complete disposal of shares?	My understanding of the transaction as it has been explained to me is like this: I engaged someone to do something (sell the block of GCM shares) for me. I give you the block (on the basis that you would sell it and pay the cash back), you go sell for me. This was reflected in the books. It appears premature to do that. But then again I am not accounts-trained and not familiar when it is a right time for you (the Company) to recognise where the block has been sold or disposed. The chips had fallen where they are. I go back to my earlier comment: we assess the situation right now and what is the best way of dealing with it. I feel that IDs/NINED can only set a certain direction for management, as to how management wants to execute and find the best way forward, you cannot be there to tell them that you need to report everything, you need to tell us exactly what's what.
	It's like a transfer of title of shares without the assurance that money will be paid?	It's obviously an issue we need to address. And I think that sort of ties in to why we were trying to get counsel for this.
	Do you agree with the recommendations as set out in Section 4.4 of our Report?	In light of current circumstances, it's difficult to argue otherwise. I would like to add on one thing: When you give a direction to an executive who manages the Company, as an ID/NINED, it is really a question of how much diligence and oversight you want to exercise. I think it's pretty obvious that I think Management should have done more. But there's also a question of how much oversight and control that IDs/NINED really need to have. How much is enough? I don't disagree that it's always good to do some homework before you go into something and for whatever reasons this was just lacking. I put it down to perhaps the Management being under-resourced.

S/N	Queries	Comments from Mr Nick Ong
	Who introduce you to the Company?	My introduction to Luke was from my previous partner, Raymond Tan (from Robert Wang & Woo LLP) probably close to 10, at least 7 to 8 years ago when Luke was then a Finance Manager. Raymond is the current CEO of LionGold.
	Loans to Indonesian Contractor, PT Hanjungin	
4.	With reference to Section 6.2.3, it was highlighted by the Indonesian Lawyers that the Land Collateral Agreement was not equivalent to nor executed to give effect of a first priority mortgage on the Kupang Land. Given that the Board was satisfied with the Indonesian Lawyers legal opinion, what was the basis for not disclosing the above fact in the Company's announcements and annual reports? Have you read the Indonesian Lawyers' legal opinion? After you became a Director, which is a few months later, and you get to understand about the Land Collateral Agreement, and the difference between that and the mortgage charge, what was your view on not disclosing the distinction of the two in the subsequent annual reports?	I was not a Director then when the Company embarked on the project. Yes, I have. I had relied on the assurances by Management and also that the legal documentation on the collateral land was prepared by Indonesian lawyers as I am not familiar with Indonesian property or land laws. The annual reports for 2016 to 2018 had consistently referred to the security over the RCL as a collateral agreement. My recollection from discussions with management was that there would be significant property tax payable if title to the land was to be transferred and understood that the collateral can be enforced or taken over at the option of the Company.
5.	Given the current status of the amount owing from PT Hanjungin even though the amount has been fully impaired, what measures does the Board intend to take: • To recover the monies owing from PT Hanjungin • Update Shareholders on the status of recovery of the monies	I have the same comments on this. What actually happened, what should be the board be seen to be doing going forward, taking advice and trying to resolve the issues.

S/N	Queries	Comments from Mr Nick Ong
	• Post mortem analysis of the transaction Were you involved in drafting the RCL agreement with PT Hanjungin?	Yes. I did not advise on the RCL agreement but only drafted the legal documentation.
	Joint investment agreement with Yangtze	
6.	Given the current status of the amount owing from Yangtze, what measures does the Board intend to take: • To recover the monies owing from Yangtze (Mr Patric Lim, who is a director of Yangtze, is also involved in Thames Capital as its sole shareholder, which has outstanding amount owing to the Company in the Selected Transaction set out in Section 4 of this Report) • Update Shareholders on the status of recovery of the monies • Post mortem analysis of the transaction	I've heard of Patric Lim but never met that guy. I know that he is acquainted with Luke. I was not a director of the Company then. We have to try to recover the monies. Get Luke to reach out to this Patric Lim one last time. If there isn't a realistic prospect of repayment or recovery, then you have to look into your legal options. As a board, we must do something.
	Convertible loan with Revenue Anchor	
7.	Given our findings of the transaction and the Company's acknowledgement of our findings, what are the Directors' post mortem take-away points from the transaction with regard to: • Appointment and scope of work of legal advisers • Disclosures of adequate and accurate information in the Company's announcements, responses to SGX-ST and Sponsor's queries and in the Company's annual reports • Update announcements of any material developments	*[Are you aware Allan was only helping on a goodwill basis?]* No. *[Is it normal for lawyers to assist only in drafting and don't advise on any other matters?]* It is more common than we think. *[Are you aware of Company making any amendment on the template of the draft that the lawyer gave the Company?]* I don't really have an impression on what transpired or the sequence of events. *[On the post mortem takeaway points]* Can always be better.

S/N	Queries	Comments from Mr Nick Ong
	• Due diligence on its counter-party and clarity of understanding with counter-party on the terms of the agreement • Payment to parties other than the contracting party	
	Microalgae Project	
8.	As the Microalgae Project is dependent on Mr Kim, what measures have you recommended for the Company to mitigate its risk of dependencies? e.g. growth of the microalgae was dependent on Mr Kim's secret recipe. The Company presently has not found solutions to the contamination issues that it is facing at its plant. e.g. the EPC contract is dependent on AFE and Mr Kim to build a successful and operational plant. The project is currently stalled and the Company says that it has no recourse against AFE as the Contractor. e.g. the Company is also dependent on Mr Kim in securing offtake agreements for the microalgae oil. Have you seen microalgae project? When you visited the site, what state of completion was that?	My personal observation: If Peter is able to deliver this project, allegedly working with different partners, he won't be still coming to us for funding. It is not a matter of lack of market. The market is huge. It doesn't make sense since we already paid 75% of the project cost. I didn't have as much dealings with Kim as Luke. I think Luke did share with me about his reservations about Peter being able to deliver. That's actually the main issue. It's a sunk cost. If you feel that you are so close getting it complete, it doesn't make any sense to just stop and abandon or totally impair the project. Yes. Tanks were there. Crane was there but not with the 'crawlers'. I visited a few times, 2 to 3 times.
9.	The Company did not engage professional's help in the drafting and advising on the terms of the various agreements and carrying out due diligence on the feasibility of the project, given that there were no similar precedent cases and the known proposed projects had met with some issues. e.g. there was limited or no recourse clause in the EPC Contract	We should have done more.

S/N	Queries	Comments from Mr Nick Ong
	e.g. the Company's disclosures of the patents were inaccurate. Why did you not consider the need for legal or professional advice in the event the Microalgae Project is not successfully completed and what due diligence checks were carried out to ensure the disclosure of accurate information?	
10.	As early as February 2017, the Company had disclosed that there were delays in the completion of the project due to the lack of funds. Did the Company formally request from AFE the Contractor Financing? If yes, why was it not made available to the Company contrary to the Company's announcement? If not, why did the Board not consider tapping on the Contractor Financing for the Microalgae Project to solve the funding problem?	I'm aware there is Contractor Financing but I'm not aware whether Management had talked to AFE at all about this Contractor Financing.
11.	The Company is now facing contamination issues in the project which it could not be resolved unless the Company can address the 2 critical matters i.e. securing sufficient funding and getting the expertise and know-how to operate the plant. How does the Board intend to address the above outstanding matters? How does the Board intend to engage Mr Kim in the Microalgae Project? What role does he play in solving the contamination issues?	I'm not aware of the kind of contamination. The last I heard was worms. I don't think we have a consensus on this right now. We need to sit down along with Luke and talk it through, will probably have to engage Peter as well.
12.	Given the status of the Microalgae Project, what measures does the Board intend to take: • To recover the S$12.95 million cost invested in the plant, if the Company decides to abort the project	I have a thought on this: Rather than doing everything ourselves, it'll be good if we can find other funding partners to come in and help us finish this project. We've looked around, but I think so far we haven't actually found anyone suitable. I think of it as risk management, and also to have a partner come in and ask critical questions of Kim that perhaps we are not in a position to ask.

S/N	Queries	Comments from Mr Nick Ong
	• To proceed expeditiously to complete the project and commence production • Post mortem analysis of the transaction	*[Why?]* It takes a lot to manage relationship with Peter Kim so far. And given that the success of this project is so tied to one person, it is easier to make him work with you with new partners, rather than start throwing accusation or allegations. If you push away someone, you want to re-engage him is going to be super difficult. So my thought is if you can share the risk, maybe give this project a hard reboot, do things correctly, get some measure of limited success and bring in more people to participate and share the risk. You need to find suitable funding partners, and I think you also need to bring in someone who understands how EPC projects work, which we tried to do and that didn't go well.

I confirm that:

(a) I have read and understood the queries set out above;

(b) the responses set out to the queries above are mine and are true, accurate and not misleading in any respect; and

(c) I consent to the use and the disclosure of the information from my responses, the notes taken and / or documents provided by me in the course of the interviews with me by Provenance Capital Pte. Ltd. ("**Provenance Capital**") for the purposes of the report to be prepared by Provenance Capital relating to, amongst other matters, the subject matter of the queries above.

Name: Mr Nick Ong Sing Huat

Signed by: _____

Date: 2 August 2019

Interview with Ms Seet Chor Hoon, Independent Director on 17 July 2019

S/N	Queries	Comments from Ms Seet Chor Hoon
	Disposal of GCM shares	
1.	With reference to Section 4.2.1 above, how should the Company disclose the purported sale of the GCM shares going forward?	At the board meeting we were always asking, I am sure they (Thames) can give us a statement on what was sold or not sold. Even if sold at a loss, they should tell us frankly as the share prices (GCM share price) kept going down. Patric Lim to me, I never knew this name, I did not know there was such a guy. We always referred to Thames Capital. Only when the draft report came out then I realise there is this Patric Lim. But Charles Madhavan (**"Charles"**) mentioned this guy to me before when he was upset with us (the Board). Then I saw from the report, it is the same guy from both companies (Yangtze and Thames Capital). This is new to me. We told Luke, no matter what, he (Patric) or Thames owe it to us. We really need a statement, if they could not provide we need to set a final deadline. We are intending to sue, I guess, when, do not know, because suing also needs money. Intend to sue both separate entities (Thames Capital and Yangtze). Me, as a Director, I feel we should have a closure to this and not be hanging on. We do not know whether shares were sold or not because Luke could not get statement from Thames. If we do not know whether they really sold it, then we should not recognise it as a sale. We were told it was sold through Thames Capital, so we took it as all these shares were sold.
2.	In the disposal of the GCM shares, the Company did not appoint a lawyer to advise on the sale arrangement with Thames Capital. What was the Board's deliberation on whether the Company should or should not appoint a legal adviser on the above?	Did not cross the Board's mind to have a legal adviser when appointing Thames. What we discussed then was, on 3 options on how to sell the GCM shares. Out of the 3, Thames seemed more reasonable. Just need to put a small amount for their trading needs and what amount they sell they shall pay us back. But they (Thames Capital) have to trade at a certain level at 20 or 19 pence. Luke confirmed he will tell Thames to let go at a certain level, otherwise they must come back and check with Luke. Not in the letter, but a gentlemen's understanding.

S/N	Queries	Comments from Ms Seet Chor Hoon
		I have not seen the undertaking letter from Thames. Luke only informed us, this was what we understood, and we chose option 3, i.e. going through Thames. How they managed it, we didn't ask for the mechanics of it. I also did not know there was a lock in period and shares could not be sold through our own broker but need to go through GCM's broker. When they bought these shares, it was before my time. I remember I was only involved in selling the shares and getting the money back to support the Microalgae Project. If we knew the arrangement, it would not be so convoluted in our management update.
3.	Given the absence of an update from Thames Capital on the cost, fees and losses to be borne by the Company and the final disposal of the GCM shares, what measures do Directors intend to take: • Recover the monies from Thames Capital • Make the relevant and accurate disclosures of the arrangement with Thames Capital • Post mortem analysis of the transaction	They (Thames Capital) have to give us a statement, otherwise we are going to sue. I only knew that they have to seek Luke's approval whenever they want to do (sell) a big block or something like that or below our agreed 20 pence. This was what Luke said but I did not see any paper on that. Post mortem - I agree with your recommendations.
	Loans to Indonesian Contractor, PT Hanjungin	
4.	With reference to Section 6.2.3, it was highlighted by the Indonesian Lawyers that the Land Collateral Agreement was not equivalent to nor executed to give effect of a first priority mortgage on the Kupang Land. Given that the Board was satisfied with the Indonesian Lawyers legal opinion, what was the basis for not disclosing the above fact in the Company's announcements and annual report?	This view (legal opinion) from Indonesian Lawyers was not presented to us (the Board). When we were there with the Indonesian Lawyers, Ibu (Linda) said she will mortgage her title deed to us, even showed us all the title deed. Then, the lawyers were with us. I commented having title deed is not enough, it must be free of encumbrance. Luke said he will check what is the right way to ensure getting proper stake if we hold the deed. All these signings (agreements), we were not informed of the details. We were only informed that if we wanted to do that step, it will cost us US$200,000. So at the Board meeting, Luke said it was a very long process to get it done

S/N	Queries	Comments from Ms Seet Chor Hoon
		and it will cost the Company US$200,000. Then the Board decided we would not spend this US$200,000. As for all the details in the legal opinion on the stake, I am reading for the first time in your Report. The details were not presented to us before. Before we disbursed the money, the title deed was given to us, we sighted it and was put in Luke's safe. We also asked if this was free of encumbrance. The Indonesian Lawyers said it is not a common practice or no such thing in Indonesia. The lawyer seemed to say with the POA and title deed it would be secure. This was all verbal discussion at the title deed office in Indonesia. We relied on the verbal advice of the Indonesian Lawyers saying should be ok Maybe all these were due to limited commercial experience of the Board members. If you look at the profile, 2 directors of finance background (Mr Kushairi and Mr John Ong), 1 lawyer (Mr Nick Ong) and me (HR). Composition of the Board is very important. In our mind, we thought Nick would look through the documents and question if we were sure we wanted to do something. Now I realised, he purely assisted in documentation.
5.	Given the current status of the amount owing from PT Hanjungin even though the amount has been fully impaired, what measures does the Board intend to take: • To recover the monies owing from PT Hanjungin • Update Shareholders on the status of recovery of the monies • Post mortem analysis of the transaction	At the last Board meeting we wanted to know whether we can have a claim on the land. So I think Luke is looking at it and he went to Jakarta recently to tell Ibu (Linda) that the Company will have a stake on the land now and take over the land (title) because he can exercise the POA. She already signed off the POA to us which is enforceable. Now (the land) is not in our name, only POA to us. If the court case is over and in our favour, then maybe PT Hanjungin can continue the project and start selling the houses to the police force.
	Joint investment agreement with Yangtze	
6.	Given the current status of the amount owing from Yangtze, what measures does the Board intend to take: • To recover the monies owing from Yangtze	I think Luke told us this guy (Patric from Yangtze) used to work with the previous Magnus when it was a S$100+ million size company. The investment was 3 months, guaranteed, the risk was minimal and with a trusted party. This

S/N	Queries	Comments from Ms Seet Chor Hoon
	(Mr Patric Lim, who is a director of Yangtze, is also involved in Thames Capital as its sole shareholder, which has outstanding amount owing to the Company in the Selected Transaction set out in Section 4 of this Report) • Update Shareholders on the status of recovery of the monies • Post mortem analysis of the transaction	was my take from what was discussed during the Board meeting. We were not told Yangtze was a company with a paid-up capital of only HK$10,000. Luke said that he believed that Patric Lim was someone with good financial standing.
	Convertible loan with Revenue Anchor	
7.	As you know, you have Virtus Law, Allan Tan, to draft the deed for the Company on a goodwill basis. What do you actually expect of him in terms of work? Were you aware if the draft deed was amended in anyway?	I don't remember.
	Do you know that the assignment of debt was subject to GCM's approval?	Don't know, that was not told to me. May have waived GCM's consent because of this general takeover (threshold) if the Company took 30% (shareholding interest). So maybe Management was trying to go around the takeover issue.
	Given our findings of the transaction and the Company's acknowledgement of our findings, what are the Directors' post mortem take-away points from the transaction with regard to: • Appointment and scope of work of legal advisers • Disclosures of adequate and accurate information in the Company's announcements, responses to SGX-ST and Sponsor's queries and in the Company's annual reports • Update announcements of any material developments • Due diligence on its counter-party and clarity of understanding with counter-party on the terms of the agreement	Noted the points.

S/N	Queries	Comments from Ms Seet Chor Hoon
	• Payment to parties other than the contracting party	
	Microalgae Project	
8.	As the Microalgae Project is dependent on Mr Kim, what measures have you recommended for the Company to mitigate its risk of dependencies? e.g. growth of the microalgae was dependent on Mr Kim's secret recipe. The Company presently has not found solutions to the contamination issues that it is facing at its plant. e.g. the EPC contract is dependent on AFE and Mr Kim to build a successful and operational plant. The project is currently stalled and the Company says that it has no recourse against AFE as the Contractor. e.g. the Company is also dependent on Mr Kim in securing offtake agreements for the microalgae oil. Does Mr Kim know that the chairmanship and Shares are conditional upon the successful completion of the Microalgae Project? Was he agreeable? To your knowledge what happened after 2017?	I have visited the project site and the AFE factory/office. We also held our Board meeting there last year (2018). We were discussing on the concentrated risk on Peter: if it is successful and he says goodbye after building 500 tanks. This was the method proposed to tie him down: a lot of Shares and Executive Chairman for him. Luke went to discuss the above with him, and he was ok as he liked the Company. He also came to Singapore and presented to Shareholders during our AGM in October 2017. We thought this could be a mitigating factor, if he was a part of us, he wouldn't run away and he wouldn't sell his so-called recipe to other parties. However, I also agree with your findings to say if it does not work, what happens? So that's the reason why we were negotiating with him to buy his patent, asking him to assign his patent to us. Then we found out in your report that his patents had all lapsed. Giving him Chairman position and owning a lot of Shares can only happen if the project is successful and not before that. Yes. That we asked. I say, is it part of the agreement that if it is successful that his 500 or 1,000 tanks are up and ready with 60% yield, then our side of the promise is to give him the Shares and then have Kim appointed as the Executive Chairman of the Company. He was very happy and said for sure the Algae will be successful. That was the mitigating factor to hold him with us and for Kim to assign all his patents to the Company. When Luke first checked, he still showed us all his patents. "No money" issue. Sometimes he was chasing for money. He was not happy because he ordered crane from China or Korea, so he

S/N	Queries	Comments from Ms Seet Chor Hoon
		needed money to pay, but the Company did not have a lot of money at the point. That was also the reason why the Company needed to loan money. At that time, the relationship was quite strained. He had used his credit/"face" to ask his Korean counterparts to make the crane. After crane was ready to ship, he had to tell people he had no money to ship the crane over.
	When you responded to SGX-ST, you said have sufficient funds but also at the same time said lack of funds. Why was there this contradiction?	The supposed funds were from the S$35 million of Notes Issue which was for a certain period of time, but then the Notes Issue program expired. I agree that the growth of microalgae was dependent on Mr Kim, but it may not be sustainable as there are other factors coming in to his secret recipe. He knows how to grow the recipe according to his formula, but now we are out in the open fields, which means other unknown variables are there. So, as what I know, even Mr Kim could not solve the contamination problem, that's the row with Charles and Kim. This is the reason why we were looking for outside people to help, like the professor.
9.	The Company did not engage professional's help in the drafting and advising on the terms of the various agreements and carrying out due diligence on the feasibility of the project, given that there were no similar precedent cases and the known proposed projects had met with some issues. e.g. there was limited or no recourse clause in the EPC Contract e.g. the Company's disclosures of the patents were inaccurate. Why did you not consider the need for legal or professional advice in the event the Microalgae Project is not successfully completed and what due diligence checks were carried out to ensure the disclosure of accurate information?	I thought it was drafted by a lawyer as the EPC contract was 30 pages long. I also checked with Nick if he would help to look at all these complex things. He said he would try. I think I got the answer to my query saying at every milestone, there are some measurable. If that objective is not met, then the funds will not come in. As at now, he could not meet what we wanted him to do, that's why he couldn't get the balance of the funds. 3 milestone points: First, was to give him money to buy the tanks then he has to put in the tank and start growing. The growing must be based on 500 tanks. When the 500 tanks are in, then start harvesting. Harvest must be min 60% yield. In the contract, there was something similar, but may be not water tight. I think the draft contracts were developed by Mr Kim and Luke themselves. Remembered looking at it through the whole night, but it was too complex for me. Not saying that I did my

S/N	Queries	Comments from Ms Seet Chor Hoon
		job, it's just that a lawyer had better looked at this. The Company did not appoint a lawyer due to cost involved. This is one of the biggest projects for Luke, maybe he is too "gan chiong" (anxious). I agree with your comments. Luke did check 1 or 2 of the patents. He even showed us the patents. I recall him flashing up saying these are the patents in Korea. But it was too technical for me.
10.	As early as February 2017, the Company had disclosed that there were delays in the completion of the project due to the lack of funds. Did the Company formally request from AFE the Contractor Financing? If yes, why was it not made available to the Company contrary to the Company's announcement? If not, why did the Board not consider tapping on the Contractor Financing for the Microalgae Project to solve the funding problem?	I was not aware of this clause and the Contractor Financing. Agree that the entire Board is deemed to have known about the Contractor Financing as it is disclosed in the announcement approved by the Board, and deemed to have overlooked then.
11.	The Company is now facing contamination issues in the project which it could not be resolved unless the Company can address the 2 critical matters i.e. securing sufficient funding and getting the expertise and know-how to operate the plant. How does the Board intend to address the above outstanding matters? How does the Board intend to engage Mr Kim in the Microalgae Project? What role does he play in solving the contamination issues?	The project can actually run without additional money as the equipment are in already. As of our last Board meeting, the issue is still contamination. Tomorrow we are going to discuss all the audit points raised by the auditor. [all contaminated microalgae cleared and not much seeds left to grow, how to push it through?] I cannot comment as I do not know the facts on all these. We will discuss at the next board meeting (probably in August) regarding the following up.
12.	Given the status of the Microalgae Project, what measures does the Board intend to take:	Get a lawyer at least to draft the contract. Takeaway is do not rush into the project and take time to do due diligence. Luke is all alone on the management, only has a Financial Controller (Jack) who has no business experience, a Corp Sec executive (Serene) and

S/N	Queries	Comments from Ms Seet Chor Hoon
	• To recover the S$12.95 million cost invested in the plant, if the Company decides to abort the project • To proceed expeditiously to complete the project and commence production • Post mortem analysis of the transaction	no one else to run the operations. Jack is replaced by Annie See now as Jack has resigned. If that S$3 million is still outstanding in Mr Kim's mind, and if contamination is solved, then we can turn it around, provided we have that S$3 million. Only now, money is standing between failure and success. If contamination is solved, yield is good, we are good. However, we need to verify whether contamination is not an issue.

I confirm that:

(a) I have read and understood the queries set out above;

(b) the responses set out to the queries above are mine and are true, accurate and not misleading in any respect; and

(c) I consent to the use and the disclosure of the information from my responses, the notes taken and / or documents provided by me in the course of the interviews with me by Provenance Capital Pte. Ltd. ("**Provenance Capital**") for the purposes of the report to be prepared by Provenance Capital relating to, amongst other matters, the subject matter of the queries above.

Name: Ms Seet Chor Hoon

Signed by: _____

Date: 30 July 2019

Interview with Mr John Ong Chin Chuan, former AC Chairman and Independent Director on 13 July 2019

S/N	Queries	Comments from Mr John Ong
	Disposal of GCM shares	
1.	With reference to Section 4.2.1 above, how should the Company disclose the purported sale of the GCM shares going forward?	We had evaluated together and at the point in time, even Luke did consult with the auditors on the figures and recorded as such. I think the figures have been audited since it had been so long and hence it should have been passed through. As I have resigned, it is not fair for me to say anything on behalf of the Board.
2.	In the disposal of the GCM shares, the Company did not appoint a lawyer to advise on the sale arrangement with Thames Capital. What was the Board's deliberation on whether the Company should or should not appoint a legal adviser on the above?	I can't recall. I think all execution should appoint lawyers in the due diligence. Perhaps if the amount is not very big, we may take a stand (not to appoint a lawyer). I just can't recall and not too sure about it. Because all these while, every time there is a new investment, we sure engage some professional and also the lawyer to do the due diligence. Nick, as a board member, can give a better answer as he is a lawyer. We try to contain cost. That's why there is a good mix of Board of Directors, accounting background, human resource background (referring to Ms Seet), business side being Kushairi and legal side is Nick. Whenever it is reasonable to save cost, we will try to save cost. I wish to add that the sale arrangement for GCM shares was briefed to the Board by Management, with the different scenarios from other traders put forward, i.e. giving them custody of the shares and also Company funds to hedge against any downward pressures on the GCM shares. Trading arrangement that should have been documented more comprehensively.

S/N	Queries	Comments from Mr John Ong
3.	Given the absence of an update from Thames Capital on the cost, fees and losses to be borne by the Company and the final disposal of the GCM shares, what measures do Directors intend to take: • Recover the monies from Thames Capital • Make the relevant and accurate disclosures of the arrangement with Thames Capital • Post mortem analysis of the transaction	During the Board meetings, we ask for updates for each of the projects and see what's the progress. So we do monitor all those outstanding projects which have not come to fruition. I remember there was an offer to subscribe for more GCM shares which we did not take up since nothing turned out to be good and the GCM shares were so illiquid so better to focus on our own investment and we turned down the further investment. We continue to pursue on the progress at every Board meeting. I can't recall who offered the additional GCM shares to the Company, it was just brought up in the meeting that there were additional GCM shares to subscribe.
	Before you resign, did you consider any of the above and did you discuss on how the Company intend to recover the monies from Thames Capital as it has been outstanding for a while?	I think the Board should continue to follow up.
	Loans to Indonesian Contractor, PT Hanjungin	
4.	With reference to Section 6.2.3, it was highlighted by the Indonesian Lawyers that the Land Collateral Agreement was not equivalent to nor executed to give effect of a first priority mortgage on the Kupang Land. Given that the Board was satisfied with the Indonesian Lawyers legal opinion, what was the basis for not disclosing the above fact in the Company's announcements and annual report? You were not a director yet when the transaction was announced in May 2015 and you joined in June 2015. Were you updated on the Kupang Land project?	Every time there is a Board meeting, there are updates on each outstanding project.
	Do you know about the difference between the Land Collateral Agreement and the first priority/registered mortgage?	I can't recall much about this. I remember there is collateral and we have also engaged a valuer to conduct a valuation and we are comfortable with it. If I'm not mistaken, there is a cost involved in order to get the registered mortgage and hence did not pursue further.

S/N	Queries	Comments from Mr John Ong
5.	Given the current status of the amount owing from PT Hanjungin even though the amount has been fully impaired, what measures does the Board intend to take: • To recover the monies owing from PT Hanjungin • Update Shareholders on the status of recovery of the monies • Post mortem analysis of the transaction	I recalled it was a technical provision, as collateral is still there and the dispute is still outstanding. Don't know what is the status now. Up to lawyers there to advise on the chances. As I have resigned, for the matters going forward, the Board will have to follow up.
	Joint investment agreement with Yangtze	
6.	Given the current status of the amount owing from Yangtze, what measures does the Board intend to take: • To recover the monies owing from Yangtze (Mr Patric Lim, who is a director of Yangtze, is also involved in Thames Capital as its sole shareholder, which has outstanding amount owing to the Company in the Selected Transaction set out in Section 4 of this Report) • Update Shareholders on the status of recovery of the monies • Post mortem analysis of the transaction	Is Yangtze related to Thames Capital also? (Yes, through Patric Lim) Time is of the essence, want to participate in the transaction or else will miss the boat. By right, transaction should go through lawyer. I can't recall whether got lawyers or not. I don't know Patric Lim, cannot recall whether Management carried out due diligence on him. As I have resigned, for these matters going forward, the Board will have to follow up.
	Convertible loan with Revenue Anchor	
7.	Given our findings of the transaction and the Company's acknowledgement of our findings, what are the Directors' post mortem take-away points from the transaction with regard to: • Appointment and scope of work of legal advisers • Disclosures of adequate and accurate information in the Company's announcements, responses to SGX-ST and Sponsor's queries and in the Company's annual reports • Update announcements of any material developments	I could not recall the details of this transaction. One of the main reasons I resign is to be fair to Nick and Ms Seet because I have no time and totally relying on them, as I have a full time job here in KL and my job is getting more and more demanding and getting married by end of this month. I believe the new AC is even more capable if you compare our credentials. I am not aware that payment was made to other parties. Management part, I leave it to Luke, and also I am not one of the signatories to the

S/N	Queries	Comments from Mr John Ong
	• Due diligence on its counter-party and clarity of understanding with counter-party on the terms of the agreement • Payment to parties other than the contracting party	payment, I was not sure and I have not come across this name, Tantalus.
	Microalgae Project	
8.	As the Microalgae Project is dependent on Mr Kim, what measures have you recommended for the Company to mitigate its risk of dependencies? e.g. growth of the microalgae was dependent on Mr Kim's secret recipe. The Company presently has not found solutions to the contamination issues that it is facing at its plant. e.g. the EPC contract is dependent on AFE and Mr Kim to build a successful and operational plant. The project is currently stalled and the Company says that it has no recourse against AFE as the Contractor. e.g. the Company is also dependent on Mr Kim in securing offtake agreements for the microalgae oil.	I personally went for the site visit, sometime before we decided to embark on the project. During that time, I was convinced he was able to deliver after seeing his presentation and tour at his site. We discussed at board meeting, whatever payment must go through our Financial Controller at head office, and closely monitored, and also set conditions that if no milestone achieved, we don't remit funds i.e. pay according to milestones. We don't make payment until the oil extraction is consistent. Then project dragged too long, until unable to get funding from the Notes Issue, which was expiring. In a closed environment, the project looks promising but come to outside, not with most of the complete equipment, still cannot get desired result. That's why we said hold on to it, no further funding. I made a recommendation that Company should get a few quotations to make sure to sell the by-products at a high value to sustain the cost at the testing stage. Previously, I was in internal audit and therefore I recommended internal controls like have a few suppliers instead of depending on one supplier. Management gives update of project at board meeting.

S/N	Queries	Comments from Mr John Ong
9.	The Company did not engage professional's help in the drafting and advising on the terms of the various agreements and carrying out due diligence on the feasibility of the project, given that there were no similar precedent cases and the known proposed projects had met with some issues. e.g. there was limited or no recourse clause in the EPC Contract e.g. the Company's disclosures of the patents were inaccurate. Why did you not consider the need for legal or professional advice in the event the Microalgae Project is not successfully completed and what due diligence checks were carried out to ensure the disclosure of accurate information?	This is a pioneer project, there wasn't any expertise in this area but got some professional to do verification on the testing results. I can't recall any legal advisers, Singapore and Malaysia laws very similar. Mr Kim represented to the Management the project is workable. Luke had briefed the Board on the progress of the project at each Board meeting and the background due diligence that was done. I can't recall
10.	As early as February 2017, the Company had disclosed that there were delays in the completion of the project due to the lack of funds. Did the Company formally request from AFE the Contractor Financing? If yes, why was it not made available to the Company contrary to the Company's announcement? If not, why did the Board not consider tapping on the Contractor Financing for the Microalgae Project to solve the funding problem?	~~I was not aware~~ of the Contractor Financing.
11.	The Company is now facing contamination issues in the project which it could not be resolved unless the Company can address the 2 critical matters i.e. securing sufficient funding and getting the expertise and know-how to operate the plant. How does the Board intend to address the above outstanding matters? How does the Board intend to engage Mr Kim in the Microalgae Project? What role does he play in solving the contamination issues?	As I have resigned, I will leave the recommendation to the Board going forward.

S/N	Queries	Comments from Mr John Ong
12.	Given the status of the Microalgae Project, what measures does the Board intend to take: • To recover the S$12.95 million cost invested in the plant, if the Company decides to abort the project • To proceed expeditiously to complete the project and commence production • Post mortem analysis of the transaction	As I have resigned, I will leave the recommendation to the Board going forward.

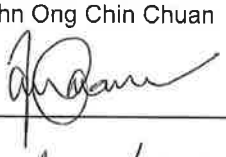
I confirm that:

(a) I have read and understood the queries set out above;

(b) the responses set out to the queries above are mine and are true, accurate and not misleading in any respect; and

(c) I consent to the use and the disclosure of the information from my responses, the notes taken and / or documents provided by me in the course of the interviews with me by Provenance Capital Pte. Ltd. ("**Provenance Capital**") for the purposes of the report to be prepared by Provenance Capital relating to, amongst other matters, the subject matter of the queries above.

Name: Mr John Ong Chin Chuan

Signed by: 

Date: 22/07/2019

Interview with Mr Peter Kim Jae Hoon

S/N	Queries	Comments from Mr Kim
1.	The Company had understood from you that the main failure of the projects undertaken by other SGX-ST listed companies were due to lack of project funding. We note that these other SGX-ST listed companies are Sino-Construction and Innopac. How were you involved in these projects which led you to conclude that funding was the main reason for the failed projects? What gave you the confidence then that the Microalgae Project with Magnus will be successful?	Primeforth introduced Sino-Construction to me. I was promised payment but they had requested for me to proceed to get the necessary licensing, location and the project going first. Hence, I funded and managed the project myself to completion with my own money as I am dealing with the Korean government. Eventually Primeforth said that Sino-Construction has no money to pay me and Primeforth will be taking over the project. However, Primeforth also did not pay me. I dealt with KC Lim representing as director of Primeforth but eventually realised that KC Lim is not a director of Primeforth. For Innopac, I did not sign any contract with them and did not receive any money on that project. I was not involved with Innopac's microalgae project. For Magnus, I have been dealing directly with them and I understand from Magnus that funding will not be an issue. Magnus did indeed start to provide the funding and hence I was of the view that the funding will not be an issue and the project can be successful. However, later on, I understand that Magnus also has funding issue and could not pay the full US$12.75 million for the project.
2.	You have granted to AFE and MEG the non-exclusive use of your various patents in relation to the microalgae cultivation. Have you also granted these patents to other SGX-ST listed companies? The Company is of the view that these patents are not critical to the success of the Microalgae Project but your know-how recipe, which is not patented, is. Do you agree with the above view? How then do you see through the successful completion of the Microalgae Project, should you decide not to cooperate after the significant amount has been invested in the partially completed plant?	No, not even to Primeforth. Magnus is the only SGX-ST listed company. Yes. My cooperation with MEG on the project stopped when Mr Charles Madhavan ("**Charles**"), new MD and has previous oil and gas and construction business experience, came into the picture and said he could copy all this and the money also stopped coming in. Charles is also one of the investors in the placement exercise that partly funded the project. After that, Charles resigned from the Company.

S/N	Queries	Comments from Mr Kim
		If I can get the share placement (S$3 million worth of Shares) issued to me and become the major Shareholder, I can complete the project, then Company can proceed to raise the balance S$3 million funds and pay me. Otherwise, pay me S$3 million cash first, I'll complete the project and then Company can issue me the S$3 million worth of Shares later. But now it's stuck, as the Company could not raise the S$3 million cash and could not issue me the placement shares. Initially, I offered the Contractor Financing to MEG. But since all these late payment and things happened (Charles), I got scared, I don't want to offer the Contractor Financing.
	What about the original intention for AFE to buy over the bio-processing plant from Weschem? Was it also due to lack of funds?	I didn't want to buy over the bio-processing plant from Weschem, also due to funding and project incompletion issue, so don't want to commit further.
3.	It was disclosed in the announcements by the Company on 22 June 2016 and 12 July 2017 that you owned 3 patents, 2 filed in Korea and 1 filed in Malaysia (pending approval). We note that the 2 patents filed in Korea (Cultivation Patent and Harvesting Machine Patent) were registered under Trans Algae Co., Ltd.. How are you related to Trans Algae Co., Ltd.? How is your company, TAC Corp., related to Trans Algae Co., Ltd?	I owned 100% of Trans Algae Co., Ltd, which is incorporated in Japan. I also own 100% of TAC Corp, which is incorporated in Korea. TAC is an abbreviation for Trans Algae Co.
	We also note that the patent filed in Malaysia under the registration no. PI 2014002704 was refused. When was the application refused? Did you inform the Company regarding the status?	Not refused. I had made the patent application myself in Malaysia instead of going through a patent agent to save cost. They subsequently informed me that the application was not filled in properly, did not use proper double spacing. Told me to resubmit the application but I did not.
	The 2 patents filed in Korea were eventually deregistered in 2017/2018 due to non-payment of registration fees. What are the reasons/background to not maintaining the registration of these patents?	When the registration is not paid, the patent is open for others to file the patent. Since 1983 applicable worldwide, if someone else wants to copy the patent with a different inventor, they will reject the application. Since I am registered as the inventor for these patents, I am not concerned if the patents were deregistered. I will register them when I feel it is necessary as I am the inventor.

S/N	Queries	Comments from Mr Kim
	How critical are the above patents to your microalgae projects?	If someone wants to copy, I don't care. Now I am working on another project with a potential party, I will renew the patents.
4.	Since the announcement of the Microalgae Project in June 2016, the Company had by early 2017 mentioned delays in the project due to funding. In July 2017, in response to the SGX-ST queries, the Company had, based on discussions with you, concluded that lack of project funding was the main cause of failures by the other SGX-ST listed companies, and the Company was confident on its project with you as it is dealing directly with you and is confident of raising sufficient funds to complete the project. The Company did not seek the Contractor Financing from AFE, although such source of funding was made available as disclosed in the first announcement in June 2016. Could you explain the background to this and why such financing was not offered to the Company, which would have resolved the funding issue for the Company?	As mentioned in response to Q2, the 2 points were Charles and the funding issue by Magnus. So I didn't want to offer the Contractor Financing to Magnus.
5.	In September 2017, MEG and AFE entered into a Conversion Agreement to convert up to S$3 million of the outstanding contract cost into new Shares which would give you/AFE a controlling interest in the Company and the Chairmanship of the Company, subject to *inter alia* the successful completion of the Microalgae Project. The Long-Stop Date for the Conversion Agreement has expired on 15 November 2017 and has not been extended by the parties to the Conversion	We can renew the Conversion Agreement. I have no issue. Question is how the Company solve the first S$3 million funding. Of the outstanding S$6 million, I don't mind either (a) getting the S$3 million Shares first and become the Chairman, I will provide the S$3 million Contractor Financing and then finish the project, or (b) the Company pay me S$3 million cash to complete the project, then give S$3 million Shares to me.

S/N	Queries	Comments from Mr Kim
	Agreement, and the project has not been successfully completed. Given the above, what is your understanding with the Company on the status of the Conversion Agreement and the Microalgae Project which seems to have been stalled due to contamination issues which the Company have not resolved yet? How are you involved in assisting the Company to solve the contamination issue?	At the moment, I am not involved in solving the problem as it is not my problem.
6.	The culture tanks, harvesting machine and algae seeds are big ticket items in the total budget cost. Can you explain how these costings were derived and how the total cost of US$12.75 million for the plant was determined, given that there were no successful precedents of similar projects in Malaysia or elsewhere in the region? You charged Innopac US$12.5 million for the project, slightly cheaper than Magnus' project of US$12.75 million?	The total cost of US$12.75 million was actually derived from pricings from my subcontractors e.g. crane comes from China, buckets and conveyor belts are custom-configured. The culture tanks and harvesting machine pricing all comes from my subcontractors. The algae seeds come from me directly. I have never seen the Innopac/Primeforth contract. No similar project in Malaysia or anywhere else in this region. Nearest project is Japan. My project in Japan - 2,000 tanks costs US$20 million. So US$12.75 million (for 1,500 tanks) is actually a discount.
7.	AFE had initially issued progress reports to the Company in July 2016 and September 2016, but stopped subsequently for about 1 year until September 2017, when upon requests from the Company's external auditors, AFE resumed issuing regular monthly progress reports until 31 August 2018.	No money comes, so why write report and not get paid. Also nothing to say because no progress.

S/N	Queries	Comments from Mr Kim
	Why didn't AFE continue to issue the progress reports after 31 August 2018?	
8.	During the period from March 2018 to February 2019, the Company had announced that the plant was in the growth testing, conditioning phase of the harvesting machine and oil extraction test phase, and the results of the growth rate of the microalgae was unstable. By April 2019, the Company acknowledged that it was facing contamination issues on the microalgae and production could not proceed. How involved were you at the various stages? Being the expert in this field and the project partner with the Company, did you help the Company solve these operational issues? If not, why not? The difference is actually not S$6 million but US$3.2 million, being the difference between US$12.75 million and the paid up amount of US$9.55 million.	Nothing at all. Then Charles came in and wanted to see the operations, only 50/60 tanks operational at that time. I then grew the 500 tanks of microalgae quickly, managing them on my own and the Company did not know about it. It took me 3 weeks (20 days) to grow from 50/60 tanks to 500 tanks, and my people were controlling the site. This is to proof that I could grow the microalgae. By the time of the threat of copying and doing on their own and money not coming in, I stopped cooperating with Magnus, and drained out all the microalgae from the tanks. Why leave behind the microalgae free for them. No, combination of Charles and funding issue. Once Charles gone, we can go back to normal. Yes, but Company should still come up with the money. Also I have spent overall S$1.5 million of my own money.
9.	What is your role in the Microalgae Project now? Are you still under contractual obligations to complete the project? If so, how do you plan to take this project forward?	Nothing, now stuck. Yes but together, subject to payment by Magnus. I have discussed with the Company, either Shares first or payment first, even if need to seek Shareholders' approval for change of conditions, i.e. issue Shares before completing the project. In the event that I do not complete the project, I can return the Shares to the Company. In the EPC contract, completion of the project coincides with full payment.
10.	You are brainchild of the project and has the secret recipe. What happens when you are no longer	When the project is fully completed. I am willing to transfer the secret recipe to the Company.

S/N	Queries	Comments from Mr Kim
	around? How does the project continue by itself?	I am not afraid of Company duplicating and competing with me because I will be the Chairman of the Company and controlling Shareholder. MEG will be the entity holding the secret recipe. Then MEG will deal with other potential parties who also want to start microalgae projects.

I confirm that:

(a) I have read and understood the queries set out above;

(b) the responses set out to the queries above are mine and are true, accurate and not misleading in any respect; and

(c) I consent to the use and the disclosure of the information from my responses, the notes taken and / or documents provided by me in the course of the interviews with me by Provenance Capital Pte. Ltd. (**"Provenance Capital"**) for the purposes of the report to be prepared by Provenance Capital relating to, amongst other matters, the subject matter of the queries above.

Name: Mr Peter Kim Jae Hoon

Signed by: _____

Date: July 22, 2019

Interview with Mr Bernard Lui - Morgan Lewis Stamford LLC on 22 July 2019

S/N	Queries	Comments from the Sponsor
	Loans to Indonesian Contractor, PT Hanjungin	
1.	With reference to Section 6.2.3, it was highlighted by the Indonesian Lawyers that the Land Collateral Agreement was not equivalent to nor executed to give effect of a first priority mortgage on the Kupang Land.	When the Company informed us of the collateral, we specifically asked the Company to get the Indonesian lawyers' legal opinion on how the land is collateralised and whether it is enforceable. We did not sight the legal opinion and was not given a copy of the legal opinion.
	Were you aware of the above difference? Do you think the above difference should be announced?	Yes, I am aware of the difference Yes, the above should be announced.
	Microalgae Project	
2.	With reference to Section 10.1, what was your basis to agree with the Company that Shareholders' approval was not required for the Microalgae Project?	Diversification was not an issue with us as the Company has the renewal energy sector as one of its core businesses.
	In hindsight, do you think the Company should have obtained Shareholders' approval for the Microalgae Project?	Concerned that this is a relatively new area. So we had asked for more information, hence the announcement was quite detailed. We also told the Company that this project was similar to Sino-Construction and Innopac. Peter Kim informed us that these projects were terminated.

I confirm that:

(a) I have read and understood the queries set out above;

(b) the responses set out to the queries above are mine and are true, accurate and not misleading in any respect; and

(c) I consent to the use and the disclosure of the information from my responses, the notes taken and / or documents provided by me in the course of the interviews with me by Provenance Capital Pte. Ltd. ("**Provenance Capital**") for the purposes of the report to be prepared by Provenance Capital relating to, amongst other matters, the subject matter of the queries above.

Name: Mr Bernard Lui

Signed by: 

Date: 22/7/19

Interview with Mr Allan Tan – former partner of Virtus Law on 15 July 2019

S/N	Queries	Comments from Mr Allan Tan
	Convertible loan with Revenue Anchor	
1.	Were you the partner from Virtus Law who had assisted the Company in drafting the Deed of Assignment?	Yes I was the partner from Virtus Law and I had provided the template for the Deed of Assignment for the Company's use after a quick look through of the Convertible Loan Agreement. I had provided the template out of goodwill as I was dealing with another transaction for the Company at around the same time. I recalled that I had provided for 3 signature blocks, being MGV, Revenue Anchor and GCM for the purpose of the assignment of the loan. I could recall these details as I was interested in perhaps gaining GCM as a potential client. I do not recall anyone asking me to amend the draft Deed of Assignment further. I am surprised that the executed Deed of Assignment that is now shown to me does not contain GCM's signature block.
2.	According to the Company's responses to the SGX-ST queries on 12 October 2018, Virtus Law had verbally communicated to the Company prior to entering into the deed of assignment that all legal formalities pertaining to the deed of assignment were in order and no further action was required by the Company. Please explain the following: (a) Whether you had actually given the above confirmation to the Company, verbally or otherwise? (b) If so, what was the basis of your confirmation? (c) Did you clear the Company's responses on the matter to the SGX-ST?	(a) No. (b) Not applicable. (c) No, I was not even aware that there were queries from and responses to the SGX-ST and I am surprised and upset with the representation made in the responses.

I confirm that:

(a) I have read and understood the queries set out above;

(b) To the best of my recollection, knowledge and belief, the responses set out to the queries above are mine and are true, accurate and not misleading in any respect; and

(c) I consent to the use and the disclosure of the information from my responses, the notes taken and / or documents provided by me in the course of the interviews with me by Provenance Capital Pte. Ltd. ("**Provenance Capital**") for the purposes of the report to be prepared by Provenance Capital relating to, amongst other matters, the subject matter of the queries above.

Name: Allan Tan

Signed by: _____

Date: 25/7/19

Background

Mr Charles Madhavan was the Executive Managing Director of the Company from 2 April 2018 to 26 May 2018 following his participation in a share placement exercise by the Company on 29 March 2018 to various investors. Pursuant to the placement exercise, the Company had issued 1,310 million Shares at the issue price of S$0.0009 each to raise gross proceeds of S$1,179,000. Mr Charles Madhavan had subscribed to 450 million Shares through his vehicles, Blue Water Engineering Pte Ltd and Idola Cakrawala International Pte Ltd.

Mr Charles Madhavan was last known to the Company to have a total deemed shareholding interest of 5.50% in the Company (comprising 695 million Shares) held by Blue Water Engineering Pte Ltd and Idola Cakrawala International Pte Ltd and his spouse. The issued share capital of the Company comprises 12,632,507,107 Shares as at the Review Date.

Business Times news articles dated 31 May 2018 and 26 June 2018

On 28 May 2018, the Company had announced the cessation of Mr Charles Madhavan as the Managing Director with effect from 26 May 2018 and the reasons for cessation were (1) differences with management and board and (2) cessation pursuant contract. The announcement also disclosed that Mr Charles Madhavan had highlighted to the Sponsor his personal concerns regarding some of the Company's past transactions and the Company is in the midst of reviewing and will be responding to the Sponsor's queries.

On 31 May 2018, the Company had announced that it had received a letter of demand dated 30 May 2018 from solicitors acting on behalf of Mr Charles Madhavan, notifying the Company of his claim for wrongful termination. The letter of demand also contains separate allegations against the Directors. The above was reported in the Business Times on 31 May 2018 entitled "Magnus Energy's former MD sends demand letter over 'wrongful termination'".

On 25 June 2018, the Company announced that it had on 22 June 2018 been served with a writ of summons in relation to the claim for wrongful termination. The above was reported in the Business Times on 26 June 2018 entitled "Magnus Energy confirms former MD's lawsuit". The news article also revealed certain details on the personal concerns of Mr Charles Madhavan on the following transactions:

- Loans made by the Company to an Indonesian contractor
- Loan from CEO, Mr Luke Ho, and an independent director, Ms Seet Chor Hoon
- Such loans being spent on a Malaysian microalgae oil cultivation facility
- Luxury car bought for a key management personnel which in his opinion should be liquidated

On 19 October 2018, the Company announced that the State Courts of Singapore had heard the striking-out application of the writ of summons on 17 October 2018 and had adjourned the matter for mediation in November 2018.

On 13 November 2018, the Company announced that following the mediation held on 8 November 2018, the Company and Mr Charles Madhavan had reached a full and final settlement of the claim.

On 12 October 2018, the Company had made an announcement to respond to the various queries from the SGX-ST and Sponsor which it said also addressed the issues raised by Mr Charles Madhavan as reported in the Business Times articles dated 31 May 2018 and 26 June 2018.

Mr Charles Madhavan's request to be interviewed by Provenance Capital

On an unsolicited basis, Mr Charles Madhavan had approached us to offer his assistance in our review of the Selected Transactions and held the view that it is crucial that we interview him in relation to these Selected Transactions.

We have conducted our interview with Mr Charles Madhavan on 24 July 2019 in the presence of his lawyers, Peter Doraisamy LLC. Mr Charles Madhavan had consented for his interview notes dated 5 August 2019 to be attached in this Appendix and to be given to SGX RegCo and the Company.

Accordingly, a copy of the above interview notes were given to the Company and SGX RegCo.

The Company had responded to the interview notes with Mr Charles Madhavan on 20 August 2019, and with the Company's consent, a copy of the Company's responses was given to SGX RegCo. However, the Company has not given its consent for us to include its responses to Mr Charles Madhavan and our interview notes with Mr Charles Madhavan in this Report. Accordingly, in consultation with SGX RegCo, we have not included the above in this Appendix.