



MAGNUS ENERGY GROUP LTD.



ANNUAL REPORT  
2019

# CORPORATE PROFILE

Magnus and its subsidiaries (“**Magnus**”) seek to achieve a diversified portfolio to broaden its earning base and re-engineer itself to explore new acquisitions and investments globally. Established in 1983, Magnus has been listed on the Catalist Board since 4 August 1999.

In the midst of the challenging conditions of the construction industry, Magnus, then a mechanical and electrical contractor, made a decisive shift of its business focus into the equipment and spares supplies to oil and gas industry with the acquisition of Mid Continent Equipment Group Pte Ltd. in 2004.

Magnus continues to focus on building the oil and gas equipment distribution business through its USA operations in Mid-Continent Equipment, Inc.



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*This annual report has been reviewed by the Company's sponsor, Stamford Corporate Services Pte. Ltd. (the "Sponsor").*

*This annual report has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "SGX-ST"). The SGX-ST assumes no responsibility for the contents in this annual report, including the accuracy, completeness, correctness of any of the information, statements made, reports contained or opinions expressed in this annual report.*

# CHAIRMAN'S STATEMENT



**Kushairi Bin Zaidel**  
Chairman and Independent Director

## DEAR SHAREHOLDERS,

On behalf of our Board of Directors, I present to you the Annual Report for Magnus Energy Group Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) for our financial year ended 30 June 2019 (“**FY2019**”).

It has been a challenging time for the year under review. The Group has made progress on the restructuring work on our main subsidiary, Mid-Continent Equipment Group Pte Ltd., (“**Midcon Group**”) that undertook a capital reduction exercise in September 2018. Despite the hard work and effort put into the Midcon Group over the years, the weak general economic climate and the oil and gas sector persisted throughout the geographical regions that we operate in. As Midcon Group’s operation in the United States through Mid-Continent Equipment, Inc. (“**MEI**”), is still profitable, we received the shareholding interests in MEI as partial payment in lieu of cash distributions from the capital reduction exercise and retained the business operations in the United States.

## OPERATIONAL UPDATE

The Group had embarked on the pilot commercialisation of microalgae crude oil production with the objective of providing a renewable source of energy. To-date, the Group has been unable to bring the plant into the production phase due to several reasons such as funding, contamination and low growth rates of the microalgae. As such, the Group had provided for an impairment loss of S\$13.0 million for the plant as of the financial year ended 30 June 2019. The Company has received some proposals for the resolution of the contamination issues, however, as these are exploratory and require further funding, the Group continues to explore other options for the resolution of these issues.

With the capital reduction exercise carried out by the Midcon Group, the Group has completed the transfer of our operations in USA to the Company directly. We will continue our efforts to realise the unutilised assets under the rest of the Midcon Group. The industrial property markets in Australia and Singapore have not been active and therefore, there are delays in the sale of Midcon Group’s properties to realise the cash for the cash

distribution. We look forward to completing the winding down of the Singapore and Australia operations of the Midcon Group as soon as the properties have been disposed. This will assist in the reduction of the Group’s overall operating costs.

Nevertheless, we are heartened that MEI is able to post a positive revenue of S\$12.2 million (2018: S\$9.4 million) for the period under review and continue contributing to the revenue of the Group. This amounts to approximately 69% of the Group’s total revenue.

## FINANCIAL UPDATE

### Review of Comprehensive Income for the year ended 30 June 2019

The Group’s revenue decreased by 7.2% from S\$18.9 million for FY2018 to S\$17.6 million for FY2019. For the FY2019, approximately S\$12.2 million was contributed by MEI while the remaining revenue was contributed by the disposal of remaining inventories in Australia and Singapore subsidiaries. Gross margin has also decreased from 15.7% to 11.6% due to disposal of the said remaining inventories at lower prices. Gross profit, as a result, has decreased by 31.7% from S\$3.0 million for FY2018 to S\$2.0 million for FY2019.

The administrative expenses have decreased marginally from approximately S\$5.4 million for FY2018 to approximately S\$5.0 million for FY2019 as the Group continue its efforts to reduce its operating expenses in the Australia and Singapore subsidiaries. Staff related expenses have reduced approximately by S\$0.2 million from approximately S\$3.0 for FY2018 to approximately S\$2.8 million for FY2019. The overall total expenses have increased by S\$7.3 million from S\$13.8 million for FY2018 to S\$21.1 million for FY2019 due to the impairment of approximately S\$15.1 million in FY2019. Otherwise, the other operating expenses for the FY2019 were mainly related to non-cash expenses.

The Group recorded a net loss after tax of S\$17.5 million for FY2019 and S\$15.3 million for FY2018. The net loss after tax for FY2019 was mainly due to lower revenue and the one-off allowance for impairment loss of approximately S\$13.0 million on plant and equipment and allowance for



# CHAIRMAN'S STATEMENT

impairment of approximately S\$2.1 million on receivables. Before the non-cash allowance for impairment made, the operating loss after tax was approximately S\$2.4 million for the year ended 30 June 2019.

## Review of Financial Position of the Group as at 30 June 2019

The Group net equity has decreased from S\$24.9 million as at 30 June 2018 to S\$7.4 million as at 30 June 2019 due to the allowance for impairment of approximately S\$15.1 million and operating loss of approximately S\$2.4 million for the year ended 30 June 2019.

Nevertheless, the Group's working capital remains positive at approximately S\$8.9 million as at 30 June 2019.

Property, plant and equipment consists mainly of motor vehicles, machinery and warehouse. Property, plant and equipment decreased from net book value of S\$18.7 million as at 30 June 2018 to S\$0.8 million as at 30 June 2019. The decrease is mainly due to the allowance for impairment loss on the microalgae oil cultivation project of S\$13.0 million and reclassification of properties of S\$4.7 million to asset classified as held for sale. Depreciation was S\$0.2 million for the year ended 30 June 2019 which was slightly lower than S\$0.3 million for the year ended 30 June 2018 in line with lower property, plant and equipment.

The amount of trade receivables has decreased from S\$2.7 million as at 30 June 2018 to S\$1.8 million as at 30 June 2019 as a result of decrease in revenue from Australia and Singapore subsidiaries. The reduction of other receivables relates to the allowance for impairment loss of approximately S\$2.0 million in relation to the disposal of securities and receipt of the repayment of other receivables of S\$0.9 million.

Trade and other payables and amount owing to non-controlling interests have increased from S\$5.0 million as at 30 June 2018 to S\$6.1 million as at 30 June 2019. This is mainly due the increase of other payables of S\$2.6 million to the non-controlling interests who are the remaining shareholders or minority interests of Mid-Continent Equipment Group Pte Ltd. The owing to non-controlling interests results from the capital reduction of Mid-Continent Equipment Group Pte Ltd. The payables, which mainly relates to the activities in our oil and gas equipment distribution subsidiary in USA, have decreased from S\$5.0 million as at 30 June 2018 to S\$3.5 million as at 30 June 2019. This is due to the net payment to suppliers of approximately S\$1.5 million.

## Review of Cash Flow for the year ended 30 June 2019

The Group recorded a net cash used in operating activities of S\$2.9 million for FY2019. Cash outflow from working capital was S\$0.1 million for FY2019.

Net cash flow generated from investing activities was S\$2.2 million for FY2019, resulting from cash inflow of S\$1.0 million from disposal of quoted investments, S\$0.6 million from disposal of the joint venture in the oil and gas equipment distribution segment and inflow of S\$1.4 million from disposal of business and S\$0.4 million from proceeds of property, plant and equipment, offset by S\$0.2 million cash outflow from net disposal of property, plant and equipment and S\$0.9 million increase in restricted fixed deposits. Net cash used in financing activities was S\$2.4 million for FY2019 due to the repayment of loans of S\$0.6 million and outflow of S\$1.8 million due to capital reduction of subsidiary.

Comparatively, the Group's cash and cash equivalents decreased by approximately S\$2.7 million, after adjusting for effects of foreign currencies exchanges, from S\$6.2 million as at 30 June 2018 to S\$3.5 million as at 30 June 2019.

## EXTERNAL REVIEW

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

The Company is in the midst of reviewing the issues and recommendations as highlighted in the External Review Report and is cognisant that an implementation of the recommendations would be essential for the enhancement of the existing policies, system of internal controls and risk management. The Company is also considering to appoint a professional firm to assist the Company in the review and implementation of the recommendations.

## LOOKING FORWARD

Despite the uncertainty and issues faced during the year, the Group will revisit its business strategies and continue to push ahead with determination. As we move forward, the Group will focus on cost efficiency and better working capital management. We acknowledge that there is much work to be done and we will strive for long term growth.

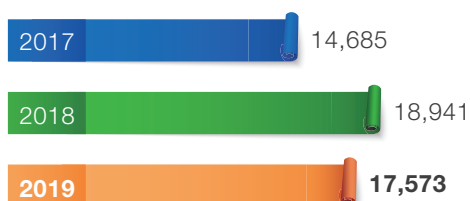
We wish to take this opportunity to acknowledge the stewardship, dedication and support of the Board, the management's efforts and all the staff of the Group during the year. On behalf of the Board and Management, we would also like to thank all our valued shareholders, customers, business associates and investors, for their unwavering support and confidence in the Group.

## KUSHAIRI BIN ZAIDEL

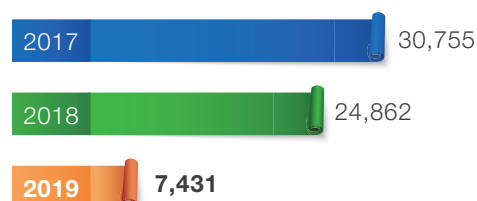
*Chairman and Independent Director*

# FINANCIAL HIGHLIGHTS

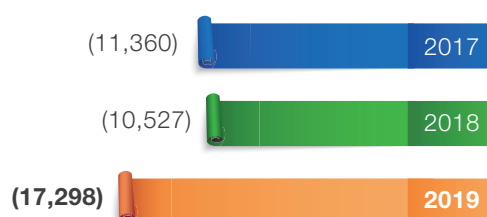
## TURNOVER (S\$'000)



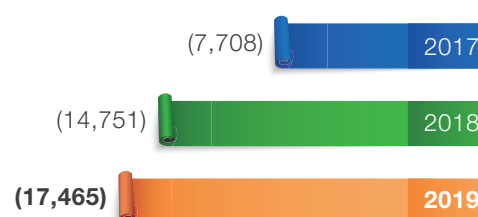
## NET ASSET VALUE (S\$'000)



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

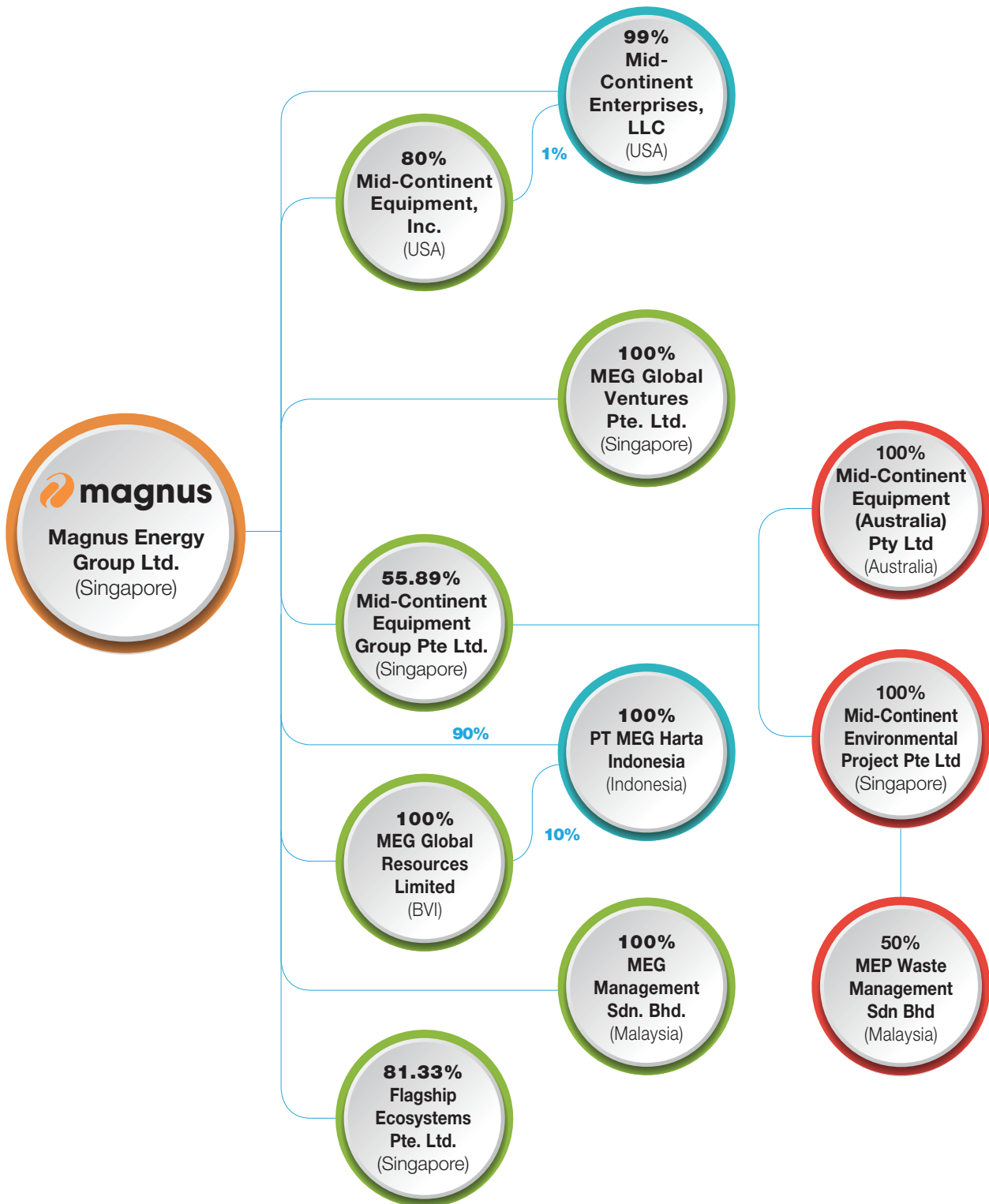


## TOTAL LOSS AFTER INCOME TAX ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (S\$'000)



	2019	2018	2017
Basic losses per share (Cents)	<b>(0.14)</b>	(0.13)	(0.10)
<b>TURNOVER BY BUSINESS ACTIVITIES</b>			
Oilfield equipment supply and services (S\$'000)	<b>17,573</b>	18,941	14,123

# GROUP STRUCTURE



# BOARD OF DIRECTORS

## MR KUSHAIRI BIN ZAIDEL

Non-Executive Chairman and Independent Director

**Date of first appointment:** 5 November 2012  
**Date of last re-election as a director:** 31 October 2016

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. 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

Independent Director

**Date of first appointment:** 15 August 2014  
**Date of last re-election as a director:** 31 October 2017

**MS SEET** joined the Board as an independent Director in August 2014. Currently, she is the Chairwoman 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. 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 ONG CHIN CHUAN

Independent Director

**Date of first appointment:** 30 June 2015  
**Date of last re-election as a director:** 30 October 2018  
**Date of cessation as a director:** 30 June 2019

Mr Ong joined the Board as an independent Director in June 2015. He was 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 Ong resigned as an independent Director and ceased to be a member of the Board Committees of the Company as of 30 June 2019.

# BOARD OF DIRECTORS

## MR WEE LIANG HIAM

Independent Director and Chairman of the Audit Committee

**Date of first appointment:** 1 June 2019  
**Date of last re-election:** N.A.

Mr Wee Liang Hiam was appointed as independent Director on 1 June 2019 and as Chairman of the Audit Committee of the Company on 1 July 2019. 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 also 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 participated in the successful reverse takeover (RTO) of a Chinese garment group, in their takeover of Friven & Co. Limited (2010) and the RTO of a Singapore property development group in their revival of a defunct mainboard listed company into a re-listed property development group in the Catalist board of the Singapore Exchange.

Mr Wee has more than 25 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 and beverages, industrial, trading, FMCG, oil and gas and property development. The turnover of these businesses ranged from S\$10 million to over S\$800 million, with the nature of business ranging from manufacturing, R&D, trading to retail. Mr Wee had also been an executive director of a public listed company and independent director of a number of public listed companies in varied industries.

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 Accountants (FCA), an ASEAN Chartered Professional Accountant (ASEAN CPA), a member of the Singapore Institute of Management (MSIM) and a member of the Singapore Institute of Directors (MSID).

## MR ONG SING HUAT

Non-Independent Non-Executive Director

**Date of first appointment:** 2 November 2015  
**Date of last re-election as a director:** 31 October 2016

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.

# KEY MANAGEMENT

## MR LUKE HO KHEE YONG

Chief Executive Officer



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 20 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.

## MR JASON ONG WIE

Director

Mid-Continent Equipment Group Pte Ltd.



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

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

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

## MR TAN YEW MENG

Group Financial Controller and Deputy Corporate Secretary



**Date of Cessation:** 17 July 2019

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

He was 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 was 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-practising 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 Tan resigned as Financial Controller and deputy corporate secretary of the Company on 17 July 2019.

## MR MAUNG THEIN HTIKE, TIM

President

Mid-Continent Equipment, Inc. (USA)



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

Mr Htike is now the President and shareholder of Mid-Continent Equipment, Inc. (USA) owning 20% of shares. He is responsible for overall operation and profitability of Mid-Continent Equipment, Inc. (USA). He has total 29 years of oil & gas industry experiences in various capacities. Prior to joining Midcon, he worked for Yangon branch of Yukong Limited, a Korean oil & gas exploration company, as a Material and Logistics Executive between 1990 and 1993.

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



# SUSTAINABILITY REPORT

## Message from the Board<sub>102-14</sub>

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

In addition to the above, Magnus is cognisant of the need to strengthen our corporate governance, risk management and internal controls. Further, pursuant to the External Review Report and the issues raised therein, the Company is taking a comprehensive analysis of its corporate governance, risk management and internal controls and intends to strengthen these through implementation of the various recommendations in the External Review Report. The Company will be working closely with our auditors to improve the internal controls and is also considering to appoint a professional firm to assist the Company in the review and implementation of the recommendations of the External Review Report.

Magnus is also committed to promoting a positive and safe work environment for our employees, suppliers and the community. We also take steps to ensure the wellbeing and safety of our employees at work.

This Sustainability Report has been drafted with respect to the identified Economic, Social and Governance ("**ESG**") factors which are material to our Group. It has been prepared in accordance with the latest Global Reporting Initiatives ("**GRI**") Standards: Core Option and is also in compliance with the SGX-ST Listing Rules 711A and 711B and the SGX Sustainability Reporting Guide. This Sustainability Report details our efforts and performance for the year 2019.

Sincerely,

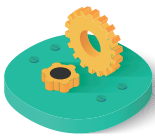
**The Board of Directors**

Magnus Energy Group Ltd.

# SUSTAINABILITY REPORT

## Magnus at a glance

Magnus is an investment holding company in Singapore,<sup>102-3</sup> with a diversified portfolio comprising oil and gas equipment distribution and renewable energy, as well as property development.<sup>102-2</sup>



Incorporated in 1983 as a mechanical and electrical contractor



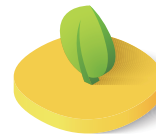
Listed on SGX in 1999



Headquarters in Singapore



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



Ventured into green energy in 2016

## Magnus Sustainability Report

### Reporting Period

This report covers the sustainability performance of Magnus' businesses in Singapore for the period 01 July 2018 to 30 June 2019.<sup>102-50</sup> The previous Sustainability Report was published in the Annual Report 2018.<sup>102-51</sup>

### Reporting Scope

The information and figures in this report refers to Magnus and its subsidiaries, unless otherwise stated.<sup>102-45</sup>

### GRI Guidelines

This report has been prepared in accordance to the Global Reporting Initiatives (GRI) Guidelines.<sup>102-12,102-54</sup> We have not sought external assurance for this report.<sup>102-56</sup>

### Feedback

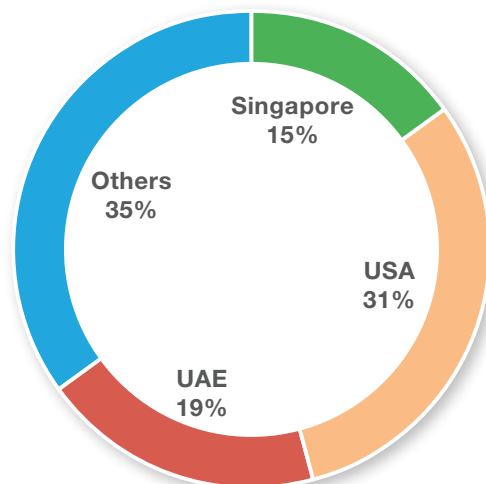
We welcome all feedback on this report. Please address all feedback and comments to us at [info@magnusenergy.com.sg](mailto:info@magnusenergy.com.sg).<sup>102-53</sup>

## Where we operate

For the financial year ended 30 June 2019, the Group has customers mainly in Singapore, United Arab Emirates, the United States of America and others.<sup>102-4, 102-6</sup>

### Business Volume in Different Countries (for financial year ended 30 June 2019)

- Singapore
- USA
- UAE
- Others



Others includes different countries whose individual contributions is not more than 10%

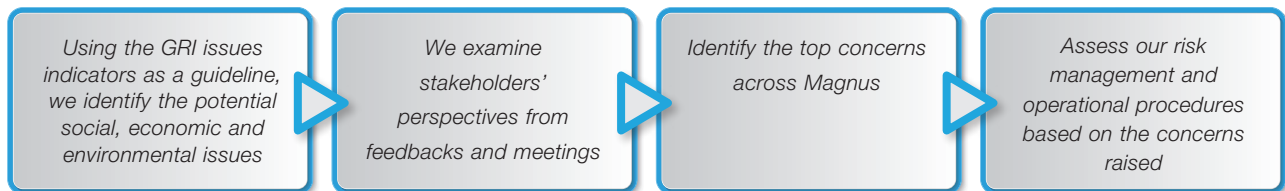
# SUSTAINABILITY REPORT

## Materiality Assessment

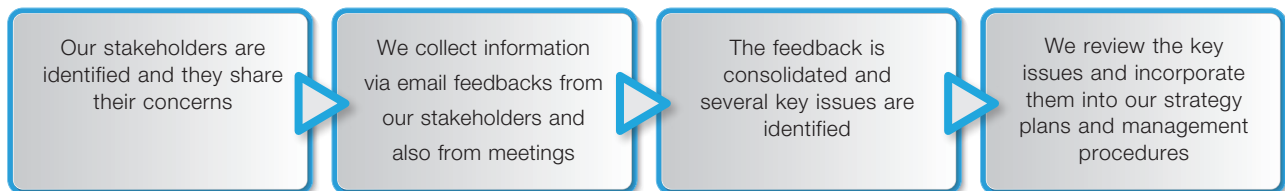
### Materiality Assessment Process<sup>102-47</sup>

Through meetings and discussions with our external and internal stakeholders through Shareholders/General Meetings, email, our Company website and direct inputs, we identified the material aspects that our stakeholders are concerned about.

The following shows the methodology of our materiality assessment process:



### Stakeholders Engagement Process<sup>102-21, 102-42, 102-43</sup>



We have engaged 5 key stakeholder groups to ensure that we have diverse viewpoints on how we contribute to the community effectively. We aim to establish enduring relationships with governments, customers, employees, partners, suppliers and communities in the countries where we work.

The table below summaries each stakeholder group, their concerns and our responses:<sup>102-21, 102-40, 102-43, 102-44, 102-47</sup>

No.	Stakeholder Groups	Their concerns	Our Responses
1	Shareholders/Investors	<ul style="list-style-type: none"> <li>• Transparency and timely updates</li> <li>• The risks involved in the investments and the actions we take to mitigate the risks</li> </ul>	<ul style="list-style-type: none"> <li>• Magnus provides timely updates to our shareholders via SGXNET announcements and at our Annual General Meetings</li> <li>• Magnus shall work closely with its internal auditors and other professional parties to address the issues raised by and the recommendations from the External Review Report and strive to enhance the Group's corporate governance (specifically in relation to accuracy of disclosure) and risk management</li> <li>• To employ professional services to address the areas of risks and technical expertise</li> <li>• To seek the right skillsets and manpower to improve existing governance and operational capability</li> </ul>

# SUSTAINABILITY REPORT

No.	Stakeholder Groups	Their concerns	Our Responses
2	Employees	<ul style="list-style-type: none"> <li>To work in a conducive and pleasant environment</li> <li>Opportunities for career development</li> <li>A safe work environment</li> </ul>	<ul style="list-style-type: none"> <li>We emphasize on good human resources policies that promote fairness and safe working conditions</li> <li>We reward good performance to attract and retain talent using qualitative and quantitative measures</li> <li>We train and develop our people to their fullest potential by providing the opportunity and support to further their studies and professional training</li> </ul>
3	Business partners and suppliers	<ul style="list-style-type: none"> <li>Stable long-term relationships with our Group</li> <li>Opportunities for business collaborations in other projects</li> </ul>	<ul style="list-style-type: none"> <li>Our Group cultivates and strengthens relationships with its suppliers and at the same time, maintains our emphasis on fair and ethical procurement process</li> <li>We hold meetings with our business partners and suppliers to pursue mutually beneficial business objectives</li> </ul>
4	Government agencies	<ul style="list-style-type: none"> <li>Compliance with local laws and regulations</li> <li>Environmental issues and waste management</li> </ul>	<ul style="list-style-type: none"> <li>We comply with existing laws and enforce the rules in our internal policies such as our employment handbook to ensure adherence to local employment regulations</li> <li>We endeavor to adhere to the local environmental laws</li> </ul>
5	Charities and communities	<ul style="list-style-type: none"> <li>Support for social welfare and community care</li> </ul>	<ul style="list-style-type: none"> <li>We strive to contribute to both charitable causes and not-for-profit organizations</li> </ul>

The materiality matrix below plots the material topics and their impact on Magnus' business against their influence on our stakeholders:<sup>102-47</sup>

		Our business		
		Low	Medium	High
Our stakeholders	High		<ul style="list-style-type: none"> <li>Energy management</li> <li>Waste management</li> </ul>	<ul style="list-style-type: none"> <li>Transparency and good corporate governance</li> <li>Good risk management</li> </ul>
	Medium	<ul style="list-style-type: none"> <li>Participation in local communities and charities</li> </ul>	<ul style="list-style-type: none"> <li>A strong rapport with our suppliers and business partners</li> </ul>	<ul style="list-style-type: none"> <li>Employee health and safety</li> <li>Compliance with local laws</li> </ul>
	Low			<ul style="list-style-type: none"> <li>Employee retention</li> <li>Employee training</li> </ul>

# SUSTAINABILITY REPORT

## Our Strategy & Sustainability Approach

The Board of Directors (“**Board**”)<sup>102-19</sup> remains responsible for the consideration of the sustainability of the environmental, social and governance aspects in its strategy formulation for the Company. It also determines the material environmental, social and governance factors. The management reviews the sustainability strategy by considering current economic trends and geopolitical issues which may affect the Group and keeps the Board apprised of the sustainability policies and progress whenever there are material changes. The Board thus continues to oversee the management and monitoring of the material environmental, social and governance factors.

### Our Sustainability Commitment

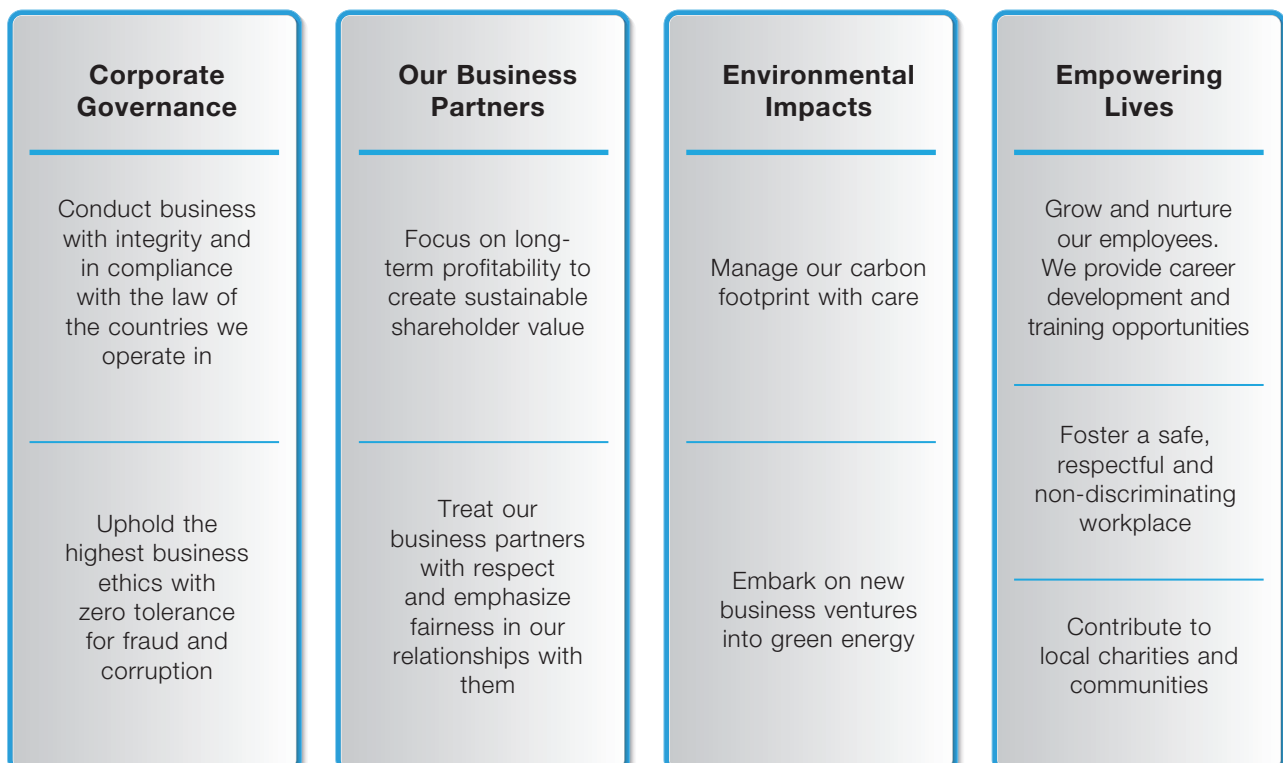
Magnus’ sustainability strategy is dedicated to managing risks and mitigating the impacts of our operations while creating value for our shareholders, governments, employees and business partners.

The Board and Management is of view that an adequate sustainability framework is in place to enhance business resilience and adapt to the evolution of the business landscape.

The Board oversees the sustainability management, and is supported by all key managers in the respective business units to ensure that each business unit is a responsible citizen in the areas of social, environment and governance. We did not obtain external assurance for our Sustainability Report. We have relied on internal verification for the accuracy of the Sustainability Report. Our Financial Statements have, however, been independently audited. We aim to progress the Sustainability Report towards obtaining external assurance in the future, making progressive improvements to our reporting process.

### Sustainability Framework

Magnus' strategy framework focuses on four key pillars:



# SUSTAINABILITY REPORT

How we conduct our business: <sup>102-16, 102-17</sup>



## Risk management

We are constantly adapting and being flexible in our businesses to meet the challenges of changing oil prices. By careful planning, we aim to mitigate future risks and take advantage of new opportunities that may arise.



## Stakeholder engagement

We communicate with our stakeholders through various platforms. We incorporate appropriate and relevant feedback from stakeholders into our business plans and actions.



## Responsible management

We monitor and review our operations and work processes to ensure that we maximise our resources and minimise any negative impact to the environment.

## Corporate Governance

Corporate governance and risk management are crucial in protecting the long-term interests of the shareholders and the Group's assets. The Board and the management of the Company (the "**Management**") are cognisant of the need to have sound corporate governance practices and standards, as part of our collective effort to enhance shareholders' value. The support and trust of our shareholders is of utmost importance to the successful implementation of the initiatives of Magnus.

We believe that sound corporate governance is vital in gaining and retaining investors' trust and confidence in Magnus, as well as attracting the interest of new investors. Magnus' corporate governance practices are set out in our Annual Report with specific reference and adherence to the principles and guidelines of the Code of Corporate Governance 2018 ("**Code**").

It is also to be highlighted that the Company is in the midst of reviewing the issues and recommendations as highlighted in the External Review Report and is cognizant that an implementation of the recommendations would be essential for the enhancement of the existing policies, system of internal controls and risk management.

### *Anti-corruption and Fraud Prevention* <sup>103-1, 103-2, 103-3</sup>

Magnus is committed to conducting business with integrity, high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. Magnus' commitment shapes a culture of accountability and responsibility among the employees and the Group's business partners. Magnus has also implemented a system of internal controls at all levels of the Group. The internal control on accounting reduces the risks for frauds on accounting transactions of the Company.

Magnus has in place a whistle blowing policy for employees to voice their concerns over unethical behavior and practices. Magnus adopts a zero tolerance policy towards all forms of fraud, corruption, bribery and extortion. Interested parties who observes or notices any unethical and improper practices or alleged wrongful conduct in the Company may report the same or any other relevant concerns to the Chairman of the Audit Committee (the "**AC**"), who is an Independent Director of the Company. The contact details of the AC Chairman can be found online. Confidentiality of the



# SUSTAINABILITY REPORT

whistle blower shall be maintained to the greatest extent possible as this would allow employees to report inappropriate conduct without any fear of dismissal. Interested parties can also submit their reports via the online whistle-blowing form on our website under “Whistle-Blowing”.

## Past year performance

The External Review Report has highlighted a few aspects of the Company’s corporate governance, internal controls and risk management that can be improved on. The Company is currently reviewing the issues raised and recommendations highlighted therein (with the help of a professional firm, if necessary).

The Company also made amendments to its corporate governance practices to be in compliance with the latest Code.

## Looking ahead

Magnus plans to:

- Try its best to adhere strictly to the latest guidelines of the Code.
- Address the concerns and recommendations of the External Review Report (with the assistance of an external professional party, if necessary) to improve on and revise current policies and internal controls.
- Work closely with its legal advisers, auditors and/or Sponsor, when in doubt, on the relevant disclosures in its announcements, annual reports and other public documents.

## Our Business Partners<sub>102-9, 103-1, 103-2, 103-3</sub>

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

Within the Group, operating subsidiaries makes assessment of their customers’ and suppliers’ track record, quality of services, reputation and past years’ financial reports. This is to ensure the highest quality of work and service provided to the Group and shareholders are reassured that the customers and suppliers are reliable and trustworthy. Frequent communication and continuous engagement between Magnus and our business partners establishes mutual understanding and strengthens trust.

## Past year performance

For the financial year, the Group carried out credit checks on new suppliers and clients. As highlighted in the External Review Report, the Company has met with issues with some of our business partners failing to fulfil their contractual obligations. The Company is currently working with relevant professionals to look at possible ways of recovery.

## Looking ahead

Magnus plans to:

- Continue to maintain our due diligence process on our customers and suppliers
- Continue to build good rapport with our partners
- Appoint professional adviser to assist in due diligence checks on its contractual counter-parties

# SUSTAINABILITY REPORT

## Environmental Impact<sub>103-1, 103-2, 103-3</sub>

Magnus is committed to reducing waste generation and complying with all laws, regulations and standards in relation to environmental protection. Magnus' main subsidiary adheres closely to ISO standards (ISO 14001: 2015, ISO 9001:2015 and IHSAS 18001: 2007) and aims to control quality, environment, and occupational health and safety risks. Due to the low business activity, our environment impact is mainly focused on efficient office practices such as daily general electricity, paper and water usage.

### *In our workplace*

Magnus recognises the importance of creating an eco-friendly workplace. We encourage recycling and discourage wastage in the workplace. In line with the above, Magnus maintains efficient office practices by reducing wastage and recycling what we can:

- Paper
  - ✓ We encourage digital filing of corporate records to reduce wastage of paper
  - ✓ Since financial year 2017, we have been encouraging shareholders to download our Annual Report from our website instead of printing and mailing hard copies of the Annual Report to all shareholders. However, shareholders who so wish to request a physical copy of the Annual Report may send their request via the feedback form on our website for a physical copy to be provided
  - ✓ We buy and use only environmentally friendly paper
  - ✓ Whenever possible, we try to print on both sides of the paper
  - ✓ For non-confidential print-outs which are printed single-sided, we recycle the unprinted side as rough paper
- Electricity and Water
  - ✓ We take steps to educate our employees on the importance of conserving energy, for example, through posters on saving water and electricity tips within the office premise
  - ✓ We adopt an internal "Switch-Off" policy where our employees turn off lights, computers, and other equipment at the end of the workday

### *Our key environmental performance indicators<sub>302-1, 302-4, 305-5</sub>*

		2018	Target	2019	Progress	Target for 2020
<b>Energy Use* (SG)</b>	Electricity used (MWh)	262,259	To reduce by 5% (<249,146)	195,354	Achieved	To reduce by 5% (<185,586)
<b>Carbon reduction</b>	Metric Ton (MT) CO <sub>2</sub> reduced (consumed in microalgae oil cultivation facility)	-	12,000 tonne of CO <sub>2</sub>	Project still in progress	In progress	12,000 tonne of CO <sub>2</sub>
<b>Water use* (SG)</b>	Water used (M <sup>3</sup> )	1,054.90	To reduce by 5% (<1,002.2)	636.4	Achieved	To reduce by 5% (<604.6)

\* Data for water and electricity consumption was obtained through the utility bills.

\* Data is based solely on Magnus and its Singapore subsidiaries. Magnus is working to include the data from its USA subsidiaries by year 2021.

# SUSTAINABILITY REPORT

## In our businesses

Magnus is committed towards ensuring that we conduct our businesses and operations in a responsible manner with minimal damage to the environment.

In the countries that we operate in, Magnus have not contravened any environmental laws. This is due to Magnus' strict adherence to environmental laws and regulations which stem from Magnus' strong commitment towards environmental protection and conservation.

Before developing sites, we will undertake environmental and workplace safety assessments to understand the possible impacts from our operations. This allows us to identify opportunities and risks early in the planning process and take appropriate steps to mitigate risks during the designing, building or management of any new construction. The Company also did an Environment Impact Assessment (EIA) in 2016 when selecting sites for development.

Our business partners and suppliers have also been constantly reminded by Magnus about the importance of environmental protection and conservation. Such selection process includes confirmations that our suppliers are in compliance with industry standards to meet product quality standards to avoid accidents such as oil spills.

## Addressing Climate Change<sub>201-2</sub>

Magnus is aware of the increasing global need for renewable energy and the need to reduce carbon dioxide ("CO<sub>2</sub>") emission in the fight against climate change. As an investment company that invests heavily in the energy industry, we have a role to play by reducing our carbon emissions as far as reasonably practical.

During the selection process of possible sites for development, such as the site development for microalgae project in 2016, we have made it a priority not to develop on high carbon stock forests or high biodiversity land and the sites must be away from protected areas and natural watercourses.

## Past year performance

During the financial year ended 30 June 2019, Magnus took over the USA operations in Mid-Continent Equipment, Inc. from an indirect to a direct subsidiary. We are currently working on familiarising on the local business model, accounts, rules and regulations, as well as improving current and/or making new business plans. We aim to include the USA subsidiaries in its Sustainability Report by year 2021.

## Looking ahead

Magnus plans to:

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

# SUSTAINABILITY REPORT

## Empowering lives

### Our Employees<sup>103-1, 103-2</sup>

#### Fair Employment Practices

At Magnus, we advocate on creating an environment where everyone is treated with respect and dignity. We ensure that all employees have the same opportunity to progress with us regardless of gender, race, religion, age, or marital status. Magnus promotes fair employment practices to create an environment free from discrimination.

All employees are provided with fair legal contracts and employment conditions that comply with local employment laws and regulations. Employees belonging to the “pioneer generation” are welcome to continue working in Magnus as long as they are medically fit and can perform their work satisfactorily. We encourage skills, age and gender diversity in the workplace as Magnus believes that these diversities would promote better decision-making through the diversity of views and aid in the formulation of better policies in the workplace.

Parental leave benefits are provided to our employees in accordance with the local laws and legislation of the countries where we operate in.<sup>401-3</sup>

#### Staff Training<sup>103-1, 103-2, 103-3, 404-2</sup>

Our employees are pivotal to the sustainable growth and success of Magnus. Magnus takes great efforts in providing skills upgrading and training opportunities so that our staff will be equipped with relevant skills and knowledge in tandem with the future direction of the Group. We provide our employees with opportunities to maintain and develop workforce skills and competencies, through participation in trainings and seminars. The costs are borne by Magnus. All employees have the opportunity to realise their potential and contribute to our overall success.

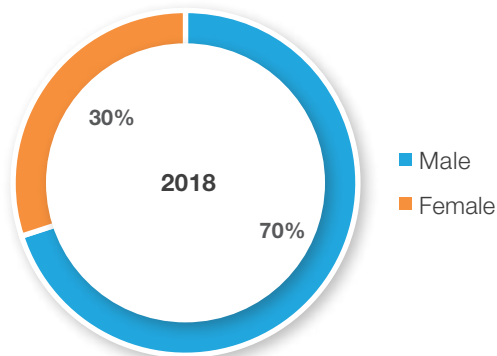
#### Workforce Statistics<sup>102-8, 401-1, 405-1</sup>

The Group has been carefully optimising its headcount to ensure that the number of staff is commensurate with the business activity levels. The charts and data below is based on all employees of the Group. The below charts demonstrated our continued efforts to ensure gender, race and religious diversity in our employees, senior leadership and key decision-making roles.

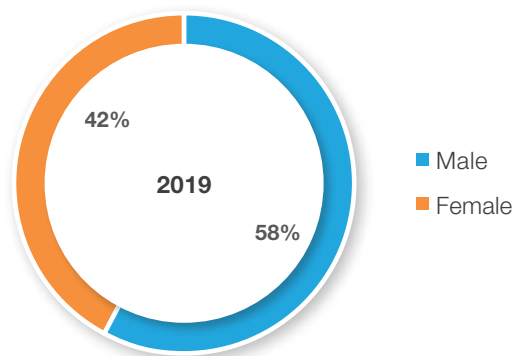
	2017	2018	2019
Number of regular employees at year end (30 June)	53	44	26
Employees working in their home country	83%	86%	81%

# SUSTAINABILITY REPORT

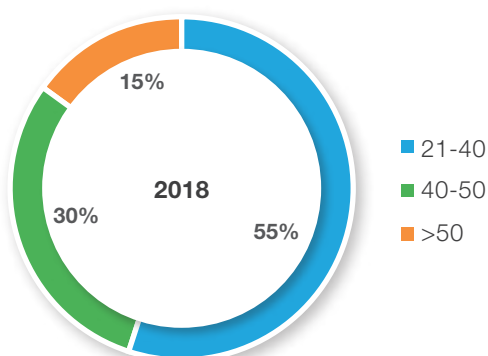
Percentage of Employees by Gender  
2018



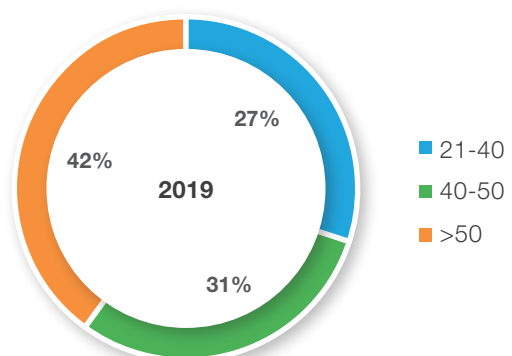
Percentage of Employees by Gender  
2019



Percentage of Employees by Age Group  
2018



Percentage of Employees by Age Group  
2019



### Past year performance<sub>103-3</sub>

Magnus believes it has achieved a good mix of gender and ages for its employees in a male dominated industry. Subjected to approval, staffs are welcomed to apply for courses which are beneficial to their current job scope or self-development. For the financial year ended 2019, no staff has applied for any courses or seminars. Magnus is satisfied that its management has complied with fair employment practices as well as ensuring a good diversity in the current employment.

### Looking ahead

Magnus plans to:

- Continue efforts to ensure gender, race and religious diversity in our employees, senior leadership and key decision-making roles
- Increase training hours for our employees to build capability and promote from within our existing workforce

# SUSTAINABILITY REPORT

## Operational Safety<sub>103-1, 103-3, 403-2</sub>

Magnus places strong emphasis on employees' safety in the workplace. It is our goal to make sure that each and every employee returns home safely every day by ensuring safe and healthy working conditions. Magnus is determined to maintain zero incidence of accidents.

Employees and contractors, wherever they work, must meet the local safety standards and requirements. We strive to reduce risks as far as is technically and financially feasible, and to minimise the potential impact of any incident. Our major subsidiaries comply strictly with the Occupational Health and Safety Assessment Series (OHSAS) safety standards and key management personnel of the respective subsidiaries shall oversee safety measures in the workplace.

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

## Past year performance

We are pleased to report that there were no incidences of workplace injury and accident (i.e. any work-related injury or illness requiring medical treatment beyond minor first aid) for the financial year ended 30 June 2019.

## Looking ahead

Magnus plans to:

- Maintain zero incidences of workplace injury and accident rates (i.e. any work-related injury or illness requiring medical treatment beyond minor first aid).

## **Charities and communities**

Magnus views our business as an integral part of society. The Group hopes to embark on community work and engage its staff in values creation work for the benefit of the society.

## Past year performance

Due to the continuing losses incurred by the Group, the Group has not carried out any community work during the year under review.

## Looking ahead

The Company has not set any timeline for embarking on our support to charitable organisations. However, the Company will consider financial contribution and/or volunteering activities when the profitability of the Group is positive.



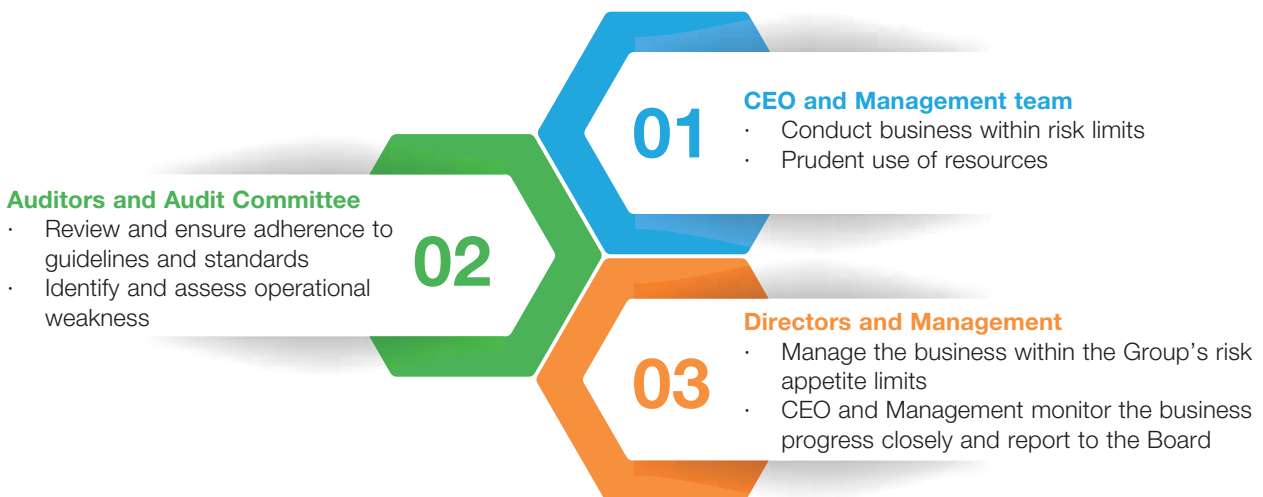
# SUSTAINABILITY REPORT

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

Risk is inherent in our businesses, so effective and timely risk management is crucial to the long term viability of the Company. The AC is responsible for governing risks and making sure that the Management maintains a sound system of risk management and internal control. The AC provides valuable advice to the Management in planning risk management framework, policies and guidelines. The Management will also bring up risk issues for discussion with the AC and the Board every quarterly or whenever necessary.

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

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



# SUSTAINABILITY REPORT

## *Description of roles in risk management process*

Risk	Explanation	Our Strategies
Energy price risks	Magnus is exposed to fluctuating energy prices, such as oil prices. Lower oil price will result in lower revenue from future microalgae oil cultivation activity.	<ul style="list-style-type: none"> <li>To mitigate the risk of over reliance on oil prices, Magnus keeps a look-out for other feasible projects to invest in and to reduce the reliance on one segment.</li> </ul>
Investment risks	Magnus' investment risks relate mainly to capital investment on acquisitions or investments in business entities.	<ul style="list-style-type: none"> <li>The capital investment projects, including the selection of business partners, suppliers and contractors, should be subject to appropriate due diligence, financial check procedures and internal selection criteria for the purpose of expenditure control.</li> <li>Pursuant to the issues raised by and recommendations contained in the External Review Report, such as the recommendation to appoint professional advisers to assist in due diligence checks on its contractual counter-parties, and advise on the feasibility of current and future projects, structure and terms of current and future transactions, the Company recognises that its proposed investment activities relating to acquisitions or investments in business entities requires the support and professional advice by the external professionals for specialised services such as conduct of due diligence and for risk management purposes.</li> </ul>
Financial risks	Magnus' activities are exposed to a variety of financial risks including credit, foreign currency, market, interest rate and liquidity risks.	<ul style="list-style-type: none"> <li>Magnus' risk management strategy features a system of controls to create an acceptable balance between the cost of risks occurring and the cost of managing the risks.</li> <li>The AC oversees Magnus' financial risk management process through timely reviews of the adequacy and effectiveness of the financial risk management policy, tools, practices, strategies and treatments.</li> <li>For future projects and investments, the Company plans to 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.</li> </ul>

## *Past year performance*

The External Review Report has highlighted certain aspects of our risk management and internal controls that needed to be improved on, which the Company is currently reviewing the issues raised and recommendations highlighted therein (with the help of a professional firm, if necessary).

# SUSTAINABILITY REPORT

## Looking ahead

Magnus plans to:

- enhance our systems, processes and standards on how we manage risks to attract more investors
- 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.

## Financial Management

Magnus' primary objective with regard to financial management is to maintain sustainable growth in the profitability of its businesses and its operating cash flows in order to uphold the confidence of its business partners, investors, customers, creditors and shareholders.

## Stakeholder Engagement<sub>102-43</sub>

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

## Communication

Magnus is committed to continually strengthening our relationship with the investing community. Our shareholders are kept abreast of Magnus' progress through timely information and adequate disclosures on the corporate developments and financial results of Magnus via the announcements on SGXNET ([www.sgx.com](http://www.sgx.com)). In view of the issues on disclosures and recommendations by the External Review Report, the Company will strive to appoint the appropriate professionals, proactively consult its Sponsor, and if necessary, the SGX RegCo, on the interpretation of the Catalist Rules and compliance with any announcement requirements.

The Company will strive to carry out proper checks to ensure that information disclosed in announcements are accurate, complete and substantiated and ensure that all material information should be disclosed on the SGXNET and consult its Sponsor on what constitutes material information, if in doubt.

All of Magnus' information is also available on the Company's website ([www.magnusenergy.com.sg](http://www.magnusenergy.com.sg)). Shareholders' meetings are held at least once a year and shareholders are encouraged to share their views and make enquiries on the on-going affairs and progress of Magnus.

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

<b>Shareholders' meeting / General meeting</b>	<ul style="list-style-type: none"><li>• Annual general meeting</li><li>• Extraordinary general meeting</li></ul>
<b>Annual report</b>	<ul style="list-style-type: none"><li>• Uploaded yearly to our website</li></ul>
<b>SGXNET</b>	<ul style="list-style-type: none"><li>• <a href="http://www.sgx.com">www.sgx.com</a></li><li>• Announcements</li></ul>
<b>Email</b>	<ul style="list-style-type: none"><li>• <a href="mailto:info@magnusenergy.com">info@magnusenergy.com</a></li></ul>
<b>Company Website</b>	<ul style="list-style-type: none"><li>• <a href="http://www.magnusenergy.com.sg">www.magnusenergy.com.sg</a></li></ul>

# SUSTAINABILITY REPORT

## Responsible Management

### Singapore Governance and Transparency Index

The Singapore Governance and Transparency Index (“**SGTI**”) is a joint initiative of CPA Australia, NUS Business School’s Centre for Governance, Institutions and Organisations (“**CGIO**”) and the Singapore Institute of Directors. The objective of SGTI is to evaluate listed companies, including REITs and business trusts, on their corporate governance practices and disclosures, as well as the timeliness, accessibility and transparency of their financial results.

The SGTI is an unified framework comprising two separate categories, namely the General Category and the Reit and Business Trust Category. Magnus Energy Group Ltd. ranks under the General Category. For the General Category, the SGTI score has two components: the base score, and the adjustment for bonuses and penalties. The base score for companies contains five sections: board responsibilities (35 points), rights of shareholders (20 points), engagement of stakeholders (10 points), accountability and audit (10 points), and disclosure and transparency (25 points). The aggregate of bonuses and penalties are incorporated into the base score to arrive at the Company’s SGTI total score.

SGTI 2019 evaluated 578 Singapore-listed companies in the General Category. In view of our continuous efforts and strong commitment to corporate governance, Magnus has benchmarked its governance efforts to the SGTI. Magnus’ overall SGTI score for SGTI 2019 has improved from 49 points (SGTI 2018) to 52 points for the year 2019.

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

# SUSTAINABILITY REPORT

## GRI INDEX TABLE

### GENERAL STANDARD DISCLOSURE

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
Organisation Profile		
102-1	Name of the organisation	Magnus Energy Group Ltd.
102-2	Activities, brands, products, and services	10
102-3	Location of headquarters	Singapore
102-4	Location of operations	10
102-5	Nature of ownership and legal form	Refer to group structure
102-6	Markets served	10
102-7	Scale of the organisation	Refer to group structure
102-8	Workforce Statistics	18, 19
102-9	Organisation's supply chain	15
102-10	Changes during reporting period	No change
102-11	Application of precautionary approach	14, 15
102-12	Externally developed economic, environmental and social charters, principles or other initiatives to which the organisation subscribes	10
102-13	Memberships of associates and advocacy organisations	Nil
Strategy		
102-14	Statement from senior decision maker	9
102-15	Description of key impacts, risks, and opportunities	21, 22
Ethics and Integrity		
102-16	Values, ethics and standards	14, 50
102-17	Mechanisms for advice and concerns about ethics	14, 15, 50
Governance		
102-18	Governance structure	Board of Directors, Key Management and Corporate Governance Report
102-19	Delegating authority	13, 21

# SUSTAINABILITY REPORT

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
102-20	Executive-level responsibility for economic, environmental, and social topics	The Group did not appoint an executive-level position with responsibility for economic, environmental, and social matters.
102-21	Consulting stakeholders on economic, environment and social topics	11, 12
102-23	Report nomination and selection processes for highest governance body	34
102-25	Conflicts of interest	30
102-29	Identifying and managing economic, environmental, and social impacts	13
102-35	Remuneration policies	41, 42
102-36	Process for determining remuneration	41
<b>Stakeholder Engagement</b>		
102-40	List of stakeholders engaged	11, 12
102-41	Collective bargaining agreements	We adhere strictly to local employment laws and regulations.
102-42	Basis for identification and selection of stakeholders with whom to engage	11
102-43	Approach to stakeholder engagement	11, 12, 54, 55
102-44	Key topics and concerns raised through stakeholder engagement	11, 12
<b>Reporting Practice</b>		
102-45	Entities included in consolidated financial statement	Notes to the Financial Statement
102-46	Defining report content and topic boundaries	10
102-47	List of material topics	10, 11, 12
102-48	Restatement of information	No restatement
102-49	Changes in reporting	No significant change
102-50	Reporting period	1 July 18 – 30 June 19

# SUSTAINABILITY REPORT

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
102-51	Date of most recent report	October 2018
102-52	Reporting cycle	Yearly
102-53	Contact point for questions regarding the report or its contents	Via feedback forms on Magnus website
102-54	Claims of reporting in accordance with the GRI standards	10
102-55	GRI Content Index	25 to 29
102-56	External assurance	Magnus aims to progress the report towards external assurance.

## SPECIFIC STANDARD DISCLOSURES

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
Economic		
201-1	Direct economic value generated and distributed	Group Financial Report
201-4	Financial assistance received from government	In-principal approval from MIDA on reduction of corporate taxes for MMSB
Anti-Corruption		
103-1	Explanation of material topic and its boundary	14, 15, 50
103-2	Management approach and its components	14, 15, 50
103-3	Evaluation of the management approach	14, 15, 50
205-3	Confirmed incidents of corruption and actions taken during the reporting period	There were no known incidents or reports for the financial year ended 30 June 2019
Environment		
103-1	Explanation of material topic and its boundary	16, 17
103-2	Management approach and its components	16, 17
103-3	Evaluation of the management approach	16, 17
302-1	Energy consumption within the organisation	16



# SUSTAINABILITY REPORT

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
302-4	Reduction of energy consumption	16
305-5	Reduction of GHG emissions	16
307-1	Non-compliance with environmental laws and regulations	There is no non-compliance with local environmental laws and/or regulations.
Employee Health & Safety		
103-1	Explanation of material topic and its boundary	20
103-2	Management approach and its components	20
103-3	Evaluation of the management approach	20
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work related fatalities.	20
Talent attraction and retention		
103-1	Explanation of material topic and its boundary	12, 18
103-2	Management approach and its components	12, 18
103-3	Evaluation of the management approach	19
401-1	New employee hires and employee turnover	18, 19
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits are applicable to full-time, contract and part-time employees, but not for temporary staff. Variable incentives and flexible benefits may differ depending on individual contracts and performance.
401-3	Parental leave	Parental leave benefits are provided to employees in accordance with local laws and provisions of each country
Training and education		
103-1	Explanation of material topic and its boundary	18
103-2	Management approach and its components	18
103-3	Evaluation of the management approach	19
404-2	Programmes for upgrading employee skills	18

# SUSTAINABILITY REPORT

GRI REFERENCES	DESCRIPTION	PAGE REFERENCE/ ANNUAL REPORT SECTIONS
Diversity and equal opportunity		
103-1	Explanation of material topic and its boundary	18, 19
103-2	Management approach and its components	18, 19
103-3	Evaluation of the management approach	19
405-1	Diversity of governance bodies and employees	18, 19
406-1	Incidents of discriminations and corrective measures taken	No reports were received of discrimination or exploitative labour practices relating to the Group's operations or suppliers. The Group does not consider its operations and customers and suppliers to have significant risks of child, forced or compulsory labour.
408-1	Operations and suppliers at significant risks for incidents of child labour	
409-1	Operations and suppliers at significant risks for incidents of forced or compulsory labour	

# CORPORATE GOVERNANCE REPORT

Magnus Energy Group Ltd. (“**Magnus**” or the “**Company**”) is committed to maintaining high standards of corporate governance and transparency within the Company and its subsidiaries (the “**Group**”) in accordance with the principles and guidelines set out in the Code of Corporate Governance 6 August 2018 (the “**Code**”) and where applicable, the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (“SGX-ST”) (the “Catalist Rules”).

The Board of Directors (the “**Board**” or collectively, the “**Directors**”) recognises the importance of having good corporate governance to provide greater transparency and protection of the interests of the Company’s shareholders. The Board works in collaboration with Management in achieving this objective and Management is accountable to the Board.

This report describes the Company’s corporate governance practices with specific reference made to each principle of the Code for the financial year ended 30 June 2019 (“**FY2019**”). Where there are any deviations from the Code, appropriate explanations have been provided.

Shareholders should also note that the Company is in the midst of reviewing the issues and recommendations as highlighted in the External Review Report and is cognizant that an implementation of the recommendations would be essential for the enhancement of the existing policies, system of internal controls and risk management. The Company is also considering to appoint a professional firm to assist the Company in the review and implementation of the recommendations.

## 1. BOARD MATTERS

### THE BOARD’S CONDUCT OF ITS AFFAIRS

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

The Board with its best efforts and knowledge ensures that the needs of shareholders and stakeholders are addressed by setting standards and values to uphold the performance and integrity of both the Board and the Management. Other than through emails, the Board communicates their concerns, expectations and enquiries in person during the meetings held throughout the year with the Management. The Company has in place a “Directors’ Code of Conduct” to which all Directors should strive to adhere to. Directors who face conflicts of interest are to disclose their interests and voluntarily recuse themselves from discussions and decisions involving the issues of conflict. All Directors are obliged to act in good faith to exercise due diligence and objectively discharge their duties and responsibilities at all times in their decisions concerning with the Group’s businesses.

*Guideline 1.1 of the Code*

# CORPORATE GOVERNANCE REPORT

## 1. BOARD MATTERS (Continued)

Directors are required to understand the Company's business as well as their directorship duties and roles. Where the Company appoints a director who does not have any prior experience as a director of a listed company, the new appointee would be required to attend the Listed Company Director Programme conducted by Singapore Institute of Directors ("SID"). The company secretary will bring to the Directors' attention, information on seminars that may be of relevance to them.

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

Newly appointed Directors will receive a welcome pack containing the relevant governance documents, including the Code, the Company's Constitution (formerly known as Memorandum and Articles of Association), Directors' Code of Conduct setting out the standards to ensure Directors discharge their responsibilities dutifully and diligently, Board Committees' terms of reference, schedule of all meetings and events for the calendar year, and copies of other relevant legislation and guidance, Company policy and procedure documents.

The Company will organise a comprehensive orientation for incoming Directors and meet with the Management to introduce and familiarise them with the business operations and regulatory issues of the Group. Directors are kept abreast of any developments which are relevant to the Group and informed via electronic mail of regulatory changes affecting the Group.

In addition, the Board encourages its members to attend seminars organised by SID or Singapore Exchange Securities Trading Limited (the "SGX-ST") and receive appropriate training to improve themselves on the continuing obligations and various requirements expected of a listed company in the discharge of their duties as Directors and the costs of such training will be borne by the Company.

The Board determines on matters that require its approval. Matters which are specifically reserved for the Board's decision or approval include, among others:

*Guideline 1.3 of the Code*

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

# CORPORATE GOVERNANCE REPORT

## 1. BOARD MATTERS (Continued)

The Management is informed of Board's approval and recommendations in writing such as emails, resolutions, and meetings where the company secretary minutes the proceedings of each meeting.

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

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

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

The Board meets at least quarterly to review and consider the Group's key activities, strategies, financial performance and to approve the release of the results of the Group. Dates of the Board, AC, RC, NC and annual general meetings are scheduled at the beginning of each calendar year to assist Directors in planning their attendances.

Ad hoc meetings are convened when there are pressing matters requiring the Board's decisions and approvals in between the scheduled meetings. Clear directions are given to the Management on matters that must be approved by the Board.

The number of meetings held by the Board and Board Committees and attendance of each member of the Board for the financial year under review is tabulated below:

*Guideline 1.5 of the Code*

Name of Directors	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of meetings							
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Kushairi Bin Zaidel	6	6	4	4	1	1	1	1
Seet Chor Hoon	6	6	4	4	1	1	1	1
Ong Chin Chuan	6	6	4	4	1	1	1	1
Ong Sing Huat	6	6	4	4	1	1	1	1

\* Mr. Wee Liang Hiam was appointed as an Independent Director on 1 June 2019 and did not attend any meetings for the financial year ended 30 June 2019.

\* Mr. Ong Sing Huat attended AC meetings as an invitee.

The Constitution of the Company provides for the Directors to participate in Board meetings other than physical meetings, by means of teleconferencing or video-conferencing.

# CORPORATE GOVERNANCE REPORT

## 1. BOARD MATTERS (Continued)

The Board is provided with agendas and detailed board papers two weeks before each Board and Board Committee meeting, giving the background, explanatory information and justification for each decision and mandate sought by the Management, including, where applicable, pertinent financial, business and corporate matters of the Group to enable them to be properly informed of matters to be discussed and/or approved.

*Guideline 1.6 of the Code*

Directors are entitled to request from Management and would be provided with such additional information as needed to make informed decisions. Management shall provide the same in a timely manner. Directors have separate and independent access to the Management and the company secretary. The appointment and removal of the company secretary is a decision of the Board as a whole.

*Guideline 1.7 of the Code*

Directors may seek independent legal and other professional advice, when deemed necessary and such expenses are borne by the Company.

## 2. BOARD COMPOSITION AND GUIDANCE

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

The Board comprises of one non-executive non-independent Director and three independent Directors. The independent Directors have no relationship with the Company, its related corporations, its substantial shareholders or officers that could interfere, or be reasonably perceived to interfere, with the Directors' independent business judgement in the best interests of the Company.

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

Name of Directors	Designation	Date of Appointment	Date of Last Re-election	AC	NC	RC
Kushairi Bin Zaidel	Non-executive chairman and independent Director	05 November 2012	31 October 2016	Member	Chairman	Member
Seet Chor Hoon	Independent Director	15 August 2014	31 October 2017	Member	Member	Chairman
Ong Chin Chuan <sup>1</sup>	Independent Director	30 June 2015	30 October 2018	Chairman	Member	Member
Ong Sing Huat	Non-executive non-independent Director	02 November 2015	31 October 2016	N.A.	Member	Member
Wee Liang Hiam <sup>2</sup>	Independent Director	1 June 2019	N.A.	Chairman	Member	Member

(1) Mr. Ong Chin Chuan's date of cessation as independent Director of the Company is 30 June 2019.

(2) Mr. Wee Liang Hiam will retire at the forthcoming annual general meeting of the Company ("AGM") and be eligible for re-election by the shareholders at the AGM. Mr Wee was appointed Chairman of the AC on 1 July 2019.

# CORPORATE GOVERNANCE REPORT

## 2. BOARD COMPOSITION AND GUIDANCE (Continued)

The Chairman of the Board is independent. There is a strong independent element on the Board with 75% of the Board (as at the date of this Report) made up of Directors who are independent of the Management. The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence.

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

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

*Catalist Rule 406(3d)*

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

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

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

Based on the Board Diversity Policy of the Company, during selection of new Board members, the Board strives to ensure that:

*Guideline 2.4 of the  
Code*

- (a) All candidates are included for consideration during the search for new appointments to the Board regardless of gender, age or ethnicity;
- (b) There is appropriate mix of gender representation on the Board, taking into account the skills and experience the candidates can contribute;
- (c) Any criteria to external search consultants when looking for suitable candidates for appointment to the Board will not preclude any gender or ethnicity.

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



# CORPORATE GOVERNANCE REPORT

## 2. BOARD COMPOSITION AND GUIDANCE (Continued)

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

The role of non-executive Directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and taking into account the long-term interests of all stakeholders of the Group.

The non-executive Directors are also encouraged to meet regularly without the Management being present. For FY2019, the non-executive Directors have held one conference call and one meeting without the presence of management. The independent Directors meet among themselves where necessary and provide feedback to the Board and Management after such meetings, where appropriate.

*Guideline 2.5 of the Code*

## 3. CHAIRMAN AND CHIEF EXECUTIVE OFFICER (“CEO”)

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

The position of Non-Executive Chairman (“**Chairman**”), Mr. Kushairi Zaidel (“**Mr. Zaidel**”) and the CEO, Mr. Luke Ho Khee Yong (“**Luke Ho**”), are held by two separate individuals to maintain an appropriate balance of power and influence, as well as increased accountability in the Group. There is also no relationship between the Chairman and CEO.

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

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

*Guideline 3.2 of the Code*

Pursuant to Guideline 2.2 of the Code, the Chairman is independent. No appointment of lead independent director has been made as of the financial year ended 30 June 2019. The Chairman is available to shareholders where they have concerns in the event which contact through the normal channels of CEO or the management has failed to resolve or for which such contact is inappropriate.

*Guideline 3.3 of the Code*

# CORPORATE GOVERNANCE REPORT

## 4. BOARD MEMBERSHIP

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

The Nominating Committee (“**NC**”) comprises the following five members, of whom four are independent directors:

*Guideline 4.2 of the Code*

- Mr. Kushairi Bin Zaidel (Chairman)
- Ms. Seet Chor Hoon (Member)
- Mr. Ong Sing Huat (Member)
- Mr. Wee Liang Hiam (Member)
- Mr. Ong Chin Chuan (Member)<sup>(Date of cessation: 30 June 2019)</sup>

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

When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC will be responsible for nominating the new Director.

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

*Guideline 4.1 of the Code*

- review of succession plans for Directors, in particular, the Chairman, the CEO and key management personnel;
- develop a process and criteria for evaluation of the performance of the Board as a whole and the contribution of each individual Director to the effectiveness of the Board;
- review and recommend training seminars and professional development feedback to the Board and Management after such meetings, where appropriate programs for the Board and its directors;
- identify suitable candidates and review all nominations on appointments and re-appointment of Directors, having regard to the Director’s contribution and performance including making recommendations on the composition of the Board and the balance between executive and non-executive Directors appointed to the Board;

# CORPORATE GOVERNANCE REPORT

## 4. BOARD MEMBERSHIP (Continued)

- review the Board structure, size, and composition annually;
- determine the independence of Directors annually, guided by the independent guidelines contained in the Code; and
- review and decide if a Director, who has multiple board representations, is able to and has been adequately carrying out his/her duties as a Director of the Company.

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the chairman of the NC.

All Directors shall submit themselves for re-nomination and re-election at regular intervals and at least once every three years. The NC, in recommending the nomination of any director for re-election and/or re-appointment, considers the contribution of the Director, based on, *inter alia*, his/her attendance record, overall participation, expertise, strategic vision, business judgement and sense of accountability.

*Catalist Rule 720(4)*

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

*Guideline 4.3 of the Code/Catalist Rule 720(4)*

The Company does not have alternate directors.

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

The Board noted that Luke Ho has been notified in the course of the investigations by the Commercial Affairs Department ("**CAD**") that there have arisen reasonable grounds to believe he has committed an offence under Section 197 of the Securities and Futures Act, Chapter 289 on false trading and market rigging on or about April 2014. To date, no other updates have been provided by the CAD or any other enforcement agency.

# CORPORATE GOVERNANCE REPORT

## 4. BOARD MEMBERSHIP (Continued)

Pending the results of the said investigations or further updates on the same, Luke Ho shall remain as CEO of the Company. The Board will continue to assess Luke Ho's suitability for his role as CEO and will also look into succession planning in the Company and identify potential executives and management as well.

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

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

Under Regulation 83 of the Constitution of the Company, newly appointed Directors would be required to retire from the office at the next following general meeting and submit themselves for re-nomination and re-election. Mr. Wee Liang Hiam shall retire pursuant to Regulation 83 at the forthcoming AGM and has consented to re-nomination and re-election.

*Catalist Rule 720(5)*

All Directors submit themselves for re-nomination and re-appointment at least once every three years and Regulation 101(1) of the Constitution of the Company requires that one-third of the Directors retire by rotation at every AGM.

*Catalist Rule 720(4)*

In accordance with the Constitution of the Company, Mr. Kushairi Bin Zaidel and Mr. Ong Sing Huat shall retire pursuant to Regulation 101(1) at the forthcoming AGM, and both Directors have consented for re-election.

Details of the Directors' academic and professional qualifications, interests in the Group, committees served, and directorships are disclosed in the Annual Report to enable shareholders to make informed decisions. Key information regarding the Directors is given in the 'Board of Directors' section of the Annual Report. Particulars of interests of Directors who held office at the end of the financial year in shares, debentures, warrants and share options in the Company and in related corporations are set out in the Directors' Statement.

The independent Directors have declared their independence for the FY2019, in accordance with the revised independent guidelines contained in accordance to Provision 2.1 in the Code. Following its annual review, the NC has considered Mr. Zaidel, Ms. Seet, and Mr. Wee Liang Hiam to be independent in compliance with the Code.

*Guideline 4.4 of the Code*

# CORPORATE GOVERNANCE REPORT

## 4. BOARD MEMBERSHIP (Continued)

Having regard to the circumstances set forth in Provision 2.1 of the Code, the Directors disclose their relationships with the Company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board under the signed declarations of sections 156 and 165 of the Companies Act. For FY2019, Independent Directors have confirmed their independence and that they are not related to each other and none of the Independent Directors' immediate family members were employees of the company or any of its related corporations or related to any Directors or directly associated with its substantial shareholders.

During the FY2019, the NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group and are of the opinion that the Directors are able to and has been adequately carrying out his or her duties as a Director, notwithstanding that some of the Directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments in terms of setting the maximum number of listed company board representation for each Director.

*Guideline 4.5 of the Code*

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

Name of directors	Directorships/principal commitments in other companies	
	Current	Past 3 years
Kushairi Bin Zaidel	–	Kuantan Flour Mills Berhad <sup>(1)</sup>
Seet Chor Hoon	Director of Seedz at Play Pte. Ltd. <sup>(2)</sup> (2001 – current)	–
Ong Chin Chuan <small>(cessation date: 30 June 2019)</small>	Head of Finance of Singer (Malaysia) Sdn Bhd (2015 – current)	Secure Parking Corporation Sdn Bhd
Ong Sing Huat	Partner of Robert Wang & Woo LLP (2011 – current)	Shanghai Turbo Enterprises Ltd
Wee Liang Hiam <small>(appointment-date: 1 June 2019)</small>	Business consultant of GG Capital (2007 – current)	<ol style="list-style-type: none"> <li>1. Shanghai Turbo Enterprise Ltd</li> <li>2. TMC Education Corporation Ltd</li> <li>3. PSL Holdings Ltd</li> <li>4. Olive Tree Estates Limited</li> </ol>

**Notes:**

- (1) Listed on Bursa Malaysia. Resigned on 1 July 2019.  
(2) Dormant since June 2018.

# CORPORATE GOVERNANCE REPORT

## 5. BOARD PERFORMANCE

### **Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole and that of each of its Board Committees and individual directors.**

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

*Guideline 5.1 of the Code*

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

*Guideline 5.2 of the Code*

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

In line with the principles of good corporate governance, the NC had implemented and continued with an annual performance evaluation for assessing the effectiveness of the Board as a whole, by means of performance appraisal that evaluates the Board size, the right balance and mix of skills and experience and other qualities and qualifications, including core competencies, to the Group. Due to the small size of the current Board, the NC did not carry out the assessments of the committees and Directors individually. The NC will take into consideration the recommendation under the Code to have a separate assessment of the contribution by each individual Director to the effectiveness of the Board to be evaluated individually.

Each Director is required to individually complete a Board Evaluation Form ("BEF") annually, to facilitate the NC in its assessment of the overall effectiveness of the Board. The BEF attempts to take into consideration performance factors for both at the Board's level and individual committees' level. Through the BEF, feedback is collated from the Board on various aspects of the Board's performance, including the Board's composition, the contributions of the board members, board's access to information, board processes, strategic review, and performance of CEO and succession planning.

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

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

No external facilitator has been appointed to facilitate the assessment process. The Board shall continuously review the BEF to keep abreast of the performance measure factors and to consider if additional factors are required for the Board, Board Committees' and individual Directors' assessments.

# CORPORATE GOVERNANCE REPORT

## 6. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

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

*Guideline 6.2 of the Code*

- Ms. Seet Chor Hoon (Chairman)
- Mr. Kushairi Bin Zaidel (Member)
- Mr. Ong Sing Huat (Member)
- Mr. Wee Liang Hiam (Member)
- Mr. Ong Chin Chuan (Member)<sup>(Date of cessation: 30 June 2019)</sup>

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

*Guideline 6.1 of the Code*

- review and recommend to the Board a framework of remuneration for Directors and key executives. The RC's recommendations are made in consultation with the Chairman and submitted for endorsement by the entire Board. The review covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits in kind;
- determine the specific remuneration packages for each key executive based on performance, service seniority, experience and scope of responsibility;
- review and recommend to the Board the terms of service agreements of the Directors;
- recommend the fees payable to non-executive Directors based on the level of responsibilities undertaken by them; and
- administrate the Magnus Energy Employee Share Option Plan (the "**Magnus Energy ESOP**") and the Magnus Energy Performance Share Plan (the "**Magnus Energy PSP**").

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

The RC is responsible for all aspects of remuneration, including termination terms. The RC reviews the Company's obligations arising in the event of termination of the key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

*Guideline 6.3 of the Code*

The RC may seek independent professional advice if the RC deems it necessary to properly discharge its responsibilities. Such expenses are borne by the Company. During FY2019, no external remuneration consultants were engaged.

*Guideline 6.4 of the Code*



# CORPORATE GOVERNANCE REPORT

## 7. LEVEL AND MIX OF REMUNERATION

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

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

*Guideline 7.1 of the Code*

In setting remuneration packages, the RC ensures that the Directors and key executives are adequately but not excessively remunerated as compared within the industry norms, taking into account the contribution and performance of each Director as well as the financial needs and performance of the Company. The remuneration for key management personnel comprises a basic salary component and a variable component, namely, annual bonus and the share awards under the Magnus Energy ESOP and the Magnus Energy PSP. The latter is based on the performance of the Group as a whole and individual performance.

*Guideline 7.2 of the Code*

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

The Company has implemented Magnus Energy ESOP and Magnus Energy PSP as part of a compensation plan for attracting as well as promoting long-term employee retention which include Directors and key executives, and to motivate them towards better performance through dedication and loyalty. These long-term incentive plans shall also create performance-related elements of remuneration designed to align interests of key management personnel with those of shareholders and link rewards to corporate and individual performance. There is no award given for the financial year ended 30 June 2019.

*Guideline 7.3 of the Code*

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

# CORPORATE GOVERNANCE REPORT

## 8. DISCLOSURE ON REMUNERATION

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

A breakdown, showing the level and mix of each individual directors' remuneration for FY2019 is set out below:

Guidelines 8.1 of the Code/Catalist Rule 1204(12&13)

Remuneration band and name of Directors	Salaries	Bonus	Director fees	Share Award	Other benefits	Total
	%	%	%	%	%	%
<b>Directors – Below S\$250,000</b>						
Kushairi Bin Zaidel	0.0	0.0	100.0	0.0	0.0	100.0
Seet Chor Hoon	0.0	0.0	100.0	0.0	0.0	100.0
Ong Sing Huat	0.0	0.0	100.0	0.0	0.0	100.0
Wee Liang Hiam	0.0	0.0	100.0	0.0	0.0	100.0
Ong Chin Chuan (cessation date: 30 June 2019)	0.0	0.0	100.0	0.0	0.0	100.0

A breakdown, showing the remuneration band of the top executives of the Group for FY2019 set out below:

Remuneration band and name of key executive	Salaries	Bonus	Director fees	Share Award	Other benefits	Total
	%	%	%	%	%	%
<b>S\$500,000 to below S\$750,000</b>						
Maung Thein Htike	28.7	66.7	0.0	0.0	4.6	100.0
<b>S\$250,000 to below S\$500,000</b>						
Luke Ho	75.9	15.7	4.1	0.0	4.3	100.0
<b>Below S\$250,000</b>						
Jason Ong Wie	74.2	5.2	20.2	0.0	0.4	100.0
Tan Yew Meng (cessation date: 17 July 2019)	77.0	21.2	0.0	0.0	1.8	100.0

**Note:** The Group has four key management personnel and remaining employees are non-key management personnel.

# CORPORATE GOVERNANCE REPORT

## 8. DISCLOSURE ON REMUNERATION (Continued)

Directors and key executives' remuneration packages are a competitive advantage of the Group. The Board is aware of and supports the need for transparency. However, after deliberation and debate, the Board is of the view that full disclosure of the specific remuneration of each individual director and the Group's key management personnel (who are not directors) is not in the best interest of the Company and therefore shareholders. The Board has taken into account the very sensitive nature of the matter, the relative size of the Group, the competitive business environment the Group operates in and the irrevocable negative impact such disclosure may have on the Group. In view of these, the Company has chosen to make disclosure in relation thereto in bands of S\$250,000 with a breakdown in percentage terms of base salary, bonus, director fees, share awards granted and other benefits. The Company is of view that such disclosures would provide adequate information on the remuneration policies and practice for Directors and key executives. The aggregate remuneration paid to the Directors and key executives was approximately S\$1.34 million.

There is no termination, retirement and post-employment benefits that granted to Directors, and key executives. The Directors and key executives are paid based on a fixed schedule of fees and salary respectively.

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

The non-executive directors were paid aggregate fees of S\$135,175 for the financial year ended 30 June 2019. Subject to approval by shareholders at the forthcoming AGM, the RC has recommended for payment of an additional S\$11,100 to the non-executive directors for the financial year ended 30 June 2019 and S\$166,275 to the non-executive directors for the financial year ending 30 June 2020, to be paid in quarterly arrears.

During the year under review, the spouse of the CEO is employed as an administrative non-managerial role in the Company whose annual remuneration is less than S\$50,000, and there was no employee whose remuneration exceeded S\$100,000, who was related to a Director or the CEO, or a substantial shareholder of the Company.

*Guideline 8.2 of the Code*

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

*Guideline 8.3 of the Code/Catalist Rule 1204(16)*

In FY2019, no share awards (the "Awards") have been granted to the Directors and employees of the Company under the Magnus Energy PSP.

*Catalist Rule 851(2)*

# CORPORATE GOVERNANCE REPORT

## 9. RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

*Guideline 9.1 of the Code*

The CEO and the finance manager have provided assurance to the Board:

*Guideline 9.2 of the Code/Catalist Rule 1204(10)*

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

Notwithstanding the resignation of the financial controller, the Board would like to reassure the Shareholders that the Company has sufficient manpower resources and plans to meet the requirements of the financial management of the Company.

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

The annual internal audit review was commissioned to assess the operating and internal control protocols of the Group. The afore-mentioned review was conducted by Nexia TS Risk Advisory Pte Ltd.

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

# CORPORATE GOVERNANCE REPORT

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

In line with the Code, the AC, with the concurrence of the Board has also adopted management assurances comprising CEO and finance manager's assurance that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and CEO and key executives assurance regarding the adequacy and effectiveness of the Company's risk management and internal control systems.

*Catalist Rule  
407(4b) & 1204(10)*

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

In the financial year ended 30 June 2014, the Board further noted that the Company and certain of its subsidiaries have received notices on 2 April 2014 and 29 April 2014 from the CAD to provide assistance to the CAD's investigations into an offence under the Securities and Futures Act, Chapter 289. The CAD had requested for access to, all corporate electronic data, information technology equipment and data storage devices and all other relevant documents from 1 January 2011 to the date of the notices. To date, the CAD has not provided any further information on their investigations or on the alleged offences nor has any updates on the investigations been received by the Company or the Board.

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

### External Review

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

The Company is in the midst of reviewing the issues and recommendations as highlighted in the External Review Report and is cognisant that an implementation of the recommendations would be essential for the enhancement of the existing policies, system of internal controls and risk management. The Company is also considering to appoint a professional firm to assist the Company in the review and implementation of the recommendations.

# CORPORATE GOVERNANCE REPORT

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

### Confirmation by Board

Save in relation to the above issues raised in the External Review Report and investigations, based on the reports of the internal and external auditors and the actions taken by Management, the on-going review and continuing efforts in improving internal controls and processes and assurances by the Management, the Board, with the concurrence of AC, is of the opinion that the system of internal controls maintained by the Company are adequate in addressing the financial, operational, compliance, information technology controls and risk management throughout the financial year and up to the date of this report.

## 10. AUDIT COMMITTEE

**Principle 10: The Board has an Audit Committee (“AC”) which discharges its duties objectively.**

### Audit Committee (“AC”)

The AC reviews the adequacy and effectiveness of the internal audit strategy annually and ensures that the internal audit function is adequately resourced and has appropriate standing within the Group in accordance with the Code.

The AC comprises the following four members, all of whom are independent Directors:–

*Guideline 10.2 of  
the Code*

- Mr. Ong Chin Chuan (Chairman)<sup>(Date of cessation: 30 June 2019)</sup>
- Mr. Wee Liang Hiam (Member)<sup>(Appointed as Chairman of AC on 1 July 2019)</sup>
- Mr. Kushairi Bin Zaidel (Member)
- Ms. Seet Chor Hoon (Member)

Three members of the AC have professional and in-depth experiences in the field of financial management and accounting. As certified public accountants in their respective jurisdiction, the AC members would have received update by their respective association and professional affiliations.

None of the members of AC are former partners/directors of the Company’s existing auditing firm/corporation within a period of two years commencing on the date of their ceasing to be a partner/director of the auditing firm/corporation and none of the members of AC have any financial interest in the auditing firm or auditing corporation.

*Guideline 10.3 of  
the Code*

# CORPORATE GOVERNANCE REPORT

## 10. AUDIT COMMITTEE (Continued)

### Audit Committee ("AC") (Continued)

AC members are encouraged to attend training and seminars to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements and corporate governance. The Board is of the view that AC members have sufficient accounting and financial management expertise and experience to discharge the AC's responsibilities.

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

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

The duties of the AC are as follows:–

*Guideline 10.1 of  
the Code*

- review significant financial reporting issues and opinions to ensure integrity of the Company's financial statements and any announcements relating to the Company's financial performance;
- review the quarterly and full year financial statements and the auditor's report on the annual financial statements of the Company and of the Group before submission to the Board, and before announcement;
- review assurance from the CEO and finance manager on the financial records and financial statements;
- make recommendations to the Board on: (i) proposals to shareholders on the appointment and removal of external auditors, (ii) the remuneration and terms of engagement of external auditors;
- review the audit plans, scope, and feedback of the external auditors of the Company and ensure adequacy and effectiveness of the Group's system of internal accounting controls and the co-operation given by the Management to the external auditors;
- review the auditors' evaluation of the system of internal controls, the results of the audit and Management's response and actions to correct any noted deficiencies, to discuss problems and concerns arising from their audits or any other matters which the auditors might wish to discuss privately with the AC;
- review the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function;



# CORPORATE GOVERNANCE REPORT

## 10. AUDIT COMMITTEE (Continued)

### Audit Committee ("AC") (Continued)

- review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;
- review the whistle-blowing policy for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and followed up on. The Company publicly discloses, and clearly communicates to employees, its whistle-blowing policy and procedure on its website; and
- review interested person transactions.

Apart from the duties listed above, the AC also has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company. The AC has full access to, and the co-operation of, Management and has full discretion to invite any director or officer to attend its meetings and has been given reasonable resources to enable it to discharge its functions properly.

*Guideline 10.4 of  
the Code*

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

The CEO and finance manager have provided assurance to the Board:

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

The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.

*Guideline 10.5 of  
the Code*

# CORPORATE GOVERNANCE REPORT

## 10. AUDIT COMMITTEE (Continued)

### Whistle Blowing

The AC reviews any reports by which staff of the Company, or any other officers, may, in confidence, raise concerns about possible and/or suspected fraud, irregularities, corruption, dishonest practices and/or improprieties in matters of financial reporting or any matters affecting the Group. The AC's objectives are to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action and resolution.

The Group has implemented an internal whistle blowing policy. The policy aims to provide an avenue for employees to raise concerns about misconducts in the Group and at the same time assure them that they will be protected from victimisation for whistle blowing in good faith. No reports were received from employees through the whistle blowing system in FY2019.

External parties can report incidents of actual or suspected fraud, corruption or other forms of unethical conduct to the AC chairman, Mr. Wee Liang Hiam at his email at [lianghiam@outlook.com](mailto:lianghiam@outlook.com) or via our website using the online Whistleblowing Report form. The completed online form will be emailed directly to the AC Chairman. No reports were received from external parties in FY2019.

The Group encourages employees and external parties to put their names to their allegations whenever possible. Reports made anonymously are difficult to act upon effectively although they will be considered, taking into account the seriousness and credibility of the issues raised, the likelihood of confirming the allegation from the sources, and information provided by the whistleblower. All concerns or irregularities raised will be treated with confidence and effort will be made to ensure that confidentiality is maintained throughout the process.

The Group understands that there are times when a person makes a report in good faith which later proves to be unsubstantiated. However, actions may be taken against those who deliberately and/or maliciously provide false or misleading information against someone else. The Group reserves the right to refer any concerns or complaints to appropriate external regulatory authorities.

### External Audit

The AC has noted that there was no non-audit service provided by the external auditors during the year under review, and is of the opinion that the external auditors' independence has not been compromised. The total amount of audit fees paid to the external auditors during the year under review was approximately S\$0.15 million.

*Catalist Rule  
1204(6)*

# CORPORATE GOVERNANCE REPORT

## 10. AUDIT COMMITTEE (Continued)

### External Audit (Continued)

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

*Catalist Rule*  
715(1&2)

During the financial year, the AC has performed its duties as guided by the terms of reference. The primary role of the AC is to assist the Board in ensuring the integrity of the Group's financial reporting system and that an adequate and effective internal control system is in place. The AC reviewed the audit plans, discussed regulatory compliance matters and accounting implications of any major transactions including significant financial reporting issues. The AC also assessed the internal audit functions to ensure its adequacy and effectiveness.

On a quarterly basis, the AC reviewed the interested person transactions and the financial results announcements before the announcement of the Group's quarterly and full-year results. The AC is kept abreast by the Management and the external auditors of changes to the financial reporting standards, Listing Rules of the SGX-ST and other codes and regulations which could have an impact on the Group's financial statements. Directors and the Management are also invited to attend relevant seminars on changes to accounting standards and issues conducted by leading accounting firms.

The external auditors present to the AC the audit plan and updates relating to any change of accounting standards which have an impact on the financial statements before an audit commences.

The Company's auditors are also at liberty to seek information from the other auditors as and when necessary and from time to time. The Company confirms that Rule 712 and Rule 715 of the Catalist Rules have been complied with.

*Catalist Rule*  
1204(6)

### Internal Audit

The AC approves the hiring, removal, evaluation and compensation of the Internal Auditors ("IA"). As mentioned above, the internal audit function of the Company for FY2019 is outsourced to Nexia TS Risk Advisory Pte Ltd. The IA reports primarily to the AC and administratively to the CEO. The IA has unrestricted access to the documents, records, properties and personnel of the Company and of the Group.

The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

# CORPORATE GOVERNANCE REPORT

## 10. AUDIT COMMITTEE (Continued)

### Internal Audit (Continued)

The Board is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The IA conduct audits that involve testing the effectiveness of the material internal control systems within the Group, relating to financial, operational and compliance risks. Any material non-compliances or lapses in internal controls are reported to the AC, including the remedial measures recommended to address the risks identified. The AC also reviews the adequacy and timeliness of the actions taken by Management in response to the recommendations made. The AC is satisfied that the internal audit function is independent, effective and adequately resourced to perform its function effectively.

*Catalist Rule 719(1)*

*Catalist Rule  
1204(10C)*

Where a process oriented internal audit is conducted, the IA will perform its audit and issue a report on the results of the internal audit work summarising their findings and recommendations to the Management. The AC oversees and monitors Management's response on the implementation to their findings to ensure that appropriate follow-up measures are taken.

### External Review

As mentioned, the Company is in the midst of reviewing the issues and the recommendations as highlighted in the External Review Report and is cognisant that the recommendations would be essential for the enhancement of the existing policies, system of internal controls and risk management. The Company is also considering to appoint a professional firm to assist with the review and implementation of the recommendations.

## 11. SHAREHOLDER RIGHTS AND ENGAGEMENT

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

### Shareholders' rights and conduct of general meetings

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

# CORPORATE GOVERNANCE REPORT

## 11. SHAREHOLDER RIGHTS AND ENGAGEMENT (Continued)

### Shareholder rights and conduct of general meetings (Continued)

The Constitution provides that a member may appoint not more than two (2) proxies to attend and vote at general meetings in his/her stead. For shareholders who hold shares through nominees such as Central Provident Fund Investment and/or the Supplementary Retirement Scheme (as may be applicable), and custodian banks, they are able to attend and vote at general meetings under the multiple proxy regimes under the new Constitution. Notices and proxy forms are printed with the voting rules and deadlines for shareholders.

Shareholders are informed of general meetings through notices published in the newspapers, as well as sent to shareholders. Reports and circulars are published on the Company's website. The Company encourages shareholders' participation at its general meetings. Shareholders are able to engage the Board and the Management on the Group's business activities and other matters during the general meetings. Resolutions are passed through a process of voting. Shareholders are entitled to vote in accordance to the voting rules and procedure.

*Guideline 11.1 of  
the Code*

The AGM is the principal forum for dialogue with shareholders. At the AGM, shareholders are given the opportunity to express their views and query the directors or the Management on matters regarding the Company. Shareholders are encouraged to attend the AGMs to ensure a high level of accountability and to stay informed of the Group's strategies and goals. All Directors will be present to answer any questions relating to the work of their respective committees. The external auditors are also present to assist the Directors in addressing any relevant queries on the accounts from the shareholders. All Directors attended the AGM for financial year ended 30 June 2018.

*Guideline 11.3 of  
the Code*

The Company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where appropriate, an explanation for any proposed resolution would be provided.

*Guideline 11.2 of  
the Code*

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

*Guideline 11.4 of  
the Code*

The Company prepares minutes of general meetings that include substantial and relevant comments and/or queries from shareholders relating to the agenda of the meeting, and responses from the Board and the Management. These minutes are made available to shareholders on the Company's corporate website as soon as practicable.

*Guideline 11.5 of  
the Code*

In accordance with the Code, the Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages.

# CORPORATE GOVERNANCE REPORT

## 11. SHAREHOLDER RIGHTS AND ENGAGEMENT (Continued)

### Dividend Policy

The Company does not have a formal dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, capital requirements, financial position, results of the investments, expansion plans and other factors. For the financial year ended 30 June 2019, the Company is not in an accumulated profit position to declare any dividend and has not recommended any dividend payment thus far.

*Guideline 11.6 of the Code/Catalist Rule 704(23)*

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

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

### Engagement with Shareholders

The Board adopts the practice of regular communication of information to shareholders through SGXNET and press releases. All announcements and annual reports of the Company are available on the Company's website at [www.magnusenergy.com.sg](http://www.magnusenergy.com.sg). The Company sends the notice of AGM to all shareholders of the Company within the mandatory period. Notices of general meetings are also released on SGXNET and published in a Singapore newspaper to inform shareholders of upcoming meetings. There are new changes in the Listing Manual with effect from 31 March 2017, which enable issuers to dispatch notices, circulars and annual reports using electronic communications if there is express consent from shareholder.

*Guideline 12.1 of the Code*

The Company has an investors' relations policy which is published on the Company's website. At all times, the Company is committed to making timely, full and accurate disclosure and information to its shareholders. All disclosure submitted to the Singapore Exchange Securities Trading Limited ("SGX-ST") through SGXNET are made available on the Company's website. The Company strives to provide disclosure on both positive and negative developments of the Company. Shareholders and the investment community can submit their queries by telephone at +65 6325 1850, by fax at +65 6325 1851 or by submitting the online form on the Company's website.

*Guidelines 12.2 of the Code*

In line with the aforesaid change, the Company have ceased the printing and sending of physical annual reports to shareholders. Shareholders would be able to download the annual reports from the website. For shareholders who would prefer a physical copy of the annual report, they may request for a copy to be mailed to them via the feedback form on the website [www.magnusenergy.com.sg](http://www.magnusenergy.com.sg).

*Guideline 13.3 & 12.3 of the Code*

# CORPORATE GOVERNANCE REPORT

## 11. SHAREHOLDER RIGHTS AND ENGAGEMENT (Continued)

The Company provides a feedback form and contact details on its website at [www.magnusenergy.com.sg](http://www.magnusenergy.com.sg). During the financial year ended 30 June 2019, the Company received a few phone enquiries from shareholders and investors which were attended to promptly. *Guideline 13.1 & 13.2 of the Code*

The Company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationship with such groups. Details of how these groups are identified and engaged in key areas focus can be found on page 11 and 12 of the Annual Report within the Sustainability Report.

### INTERESTED PERSONS TRANSACTIONS (Catalist Rule 907)

The Company has in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested persons transactions are subject to review by the AC. During FY2019, the interested person transactions exceeding S\$100,000 as required to be set out in Chapter 9 of the Catalist Rules are as follows:-

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Seet Chor Hoon	S\$427,288 <sup>(1)</sup>	0
Luke Ho Khee Yong	S\$364,233 <sup>(2)</sup>	0

#### Note(s):

- (1) As at 1 July 2018, there was an outstanding amount of S\$407,124 owed by the Company to Seet Chor Hoon (our Independent Director) under a loan agreement dated 27 July 2017. The loan was unsecured and had an interest rate of 10% per annum. The outstanding amount, together with accrued interest of S\$20,164 for the period of 1 July 2018 to 31 December 2018, was fully repaid on 31 December 2018.
- (2) The transactions include:
- (a) As at 1 July 2018, there was an outstanding amount of S\$152,671 (including accrued interest of S\$7,562) owed by the Company to Luke Ho Khee Yong (our CEO) under a loan agreement dated 27 July 2017. The loan was unsecured and had an interest rate of 10% per annum. The outstanding amount, together with accrued interest of S\$7,562 for the period of 1 July 2018 to 31 December 2018, was fully repaid on 31 December 2018.
- (b) On 17 April 2019, a loan amounting to S\$200,000 was extended by Luke Ho Khee Yong (our CEO) to the Company. The loan was unsecured and had an interest rate of 10% per annum. The outstanding amount, together with the accrued interest of S\$4,000 for the period of 17 April 2019 to 28 June 2019, was fully repaid on 28 June 2019.

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

Save as disclosed above in "Interested Person Transactions", there were no material contracts of the Company, or its subsidiaries involving the interests of any Director, chief executive officer or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of previous financial year.

# CORPORATE GOVERNANCE REPORT

## 11. SHAREHOLDER RIGHTS AND ENGAGEMENT (Continued)

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

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

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

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

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

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

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

The Company is currently under the SGX-ST Catalist sponsor-supervision regime and Stamford Corporate Services Pte. Ltd. is the continuing sponsor of the Company during FY2019. There are no non-sponsor fees paid during FY2019.

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

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



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

The directors present their statement to the members together with the audited consolidated financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 30 June 2019 and the statement of financial position of the Company as at 30 June 2019.

We, Kushairi Bin Zaidel and Wee Liang Hiam, being two of the directors of Magnus Energy Group Ltd., do hereby state that, in the opinion of the directors,

- (a) the consolidated financial statements of the Group and the statement of financial position of the Company are drawn up so as to give a true and fair view of the financial positions of the Group and of the Company as at 30 June 2019 and the financial performance, changes in equity and cash flows of the Group for the year then ended; and
- (b) as at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 1 Directors

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

Kushairi Bin Zaidel  
Seet Chor Hoon  
Ong Sing Huat  
Wee Liang Hiam (appointed on 1 June 2019)

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

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

## 3 Directors' Interests in Shares or Debentures

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

Name of directors	Holdings registered in name of director		
	As at 1.7.2018	As at 30.6.2019	As at 21.7.2019
	<b>Number of ordinary shares</b>		
<b>The Company</b>			
Kushairi Bin Zaidel	114,372,020	<b>114,372,020</b>	<b>114,372,020</b>
Seet Chor Hoon	169,063,300	<b>169,063,300</b>	<b>169,063,300</b>
Ong Sing Huat	32,633,800	<b>32,633,800</b>	<b>32,633,800</b>
Ong Chin Chuan (resigned on 30 June 2019)	54,950,800	<b>54,950,800</b>	-

The directors do not have any deemed interests in shares, options, awards or debentures of the Company or its related corporations.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Directors' Interests in Shares or Debentures (Continued)

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

## 4 Share Options and Share Awards

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

Magnus Energy ESOP and Magnus Energy PSP (collectively referred to as the "**Share Schemes**") were approved by the shareholders of the Company at the Extraordinary General Meeting ("**EGM**") held on 31 October 2016 (the "**Adoption Date**").

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

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

- (i) Group executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and
- (ii) Non-executive directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the non-executive directors of the Company and Group executives and whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("**Shares**"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon the expiry of the prescribed vesting periods.

For discounted share options, the exercise price of each granted share option is set at a discount to the market price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) percent of the market price. This market price is the volume-weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST. For non-discounted share options, the exercise price of each granted share option is set at market price or such higher price as may be determined by the RC in its absolute discretion.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 4 Share Options and Share Awards (Continued)

### (a) Magnus Energy Employee Share Option Plan (“Magnus Energy ESOP”) (Continued)

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

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

#### Eligibility

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

- (a) Group executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and
- (b) Non-executive directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

#### Exercise Price

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

- (a) a price equal to the Market Price or such higher price as may be determined by the Committee in its absolute discretion; or
- (b) a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed twenty (20) per cent. of the Market Price in respect of that Option.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 4 Share Options and Share Awards (Continued)

### (a) Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") (Continued)

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

- (a) the performance of the Group;
- (b) the years of service and individual performance of the Participant;
- (c) the contribution of the Participant to the success and development of the Company and/or the Group; and
- (d) the prevailing market conditions.

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

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

#### Exercise of Options

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

- (a) an issue of new Shares; and/or
- (b) the transfer of existing Shares, including any Shares held by the Company in treasury.

The aggregate number of new Shares to be issued and existing Shares to be purchased for delivery over which the Committee may grant Options or which may be issued or delivered pursuant to the Awards on any date, when added to the number of new Shares issued and issuable or existing Shares purchased to be delivered and deliverable in respect of (a) all Options granted under the Magnus Energy ESOP, and (b) all Awards granted under the Magnus Energy PSP shall not exceed fifteen (15) per cent. of the total number of issued Shares of the Company (excluding treasury shares of the Company, if any) on the day preceding that date of grant or award, as the case may be.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 4 Share Options and Share Awards (Continued)

### (a) Magnus Energy Employee Share Option Plan (“Magnus Energy ESOP”) (Continued)

#### Limitation

The directors of the Company be authorised and empowered to offer and grant options under Magnus Energy ESOP and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Magnus Energy ESOP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Magnus Energy ESOP and the Magnus Energy Performance Share Plan (as defined below) collectively shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

#### Duration

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

No share options were granted under the Magnus Energy ESOP during the financial years ended 30 June 2019 and 2018. As at 30 June 2019 and 2018, there were no outstanding share options. There were also no discounted share options granted since the commencement of the scheme.

### (b) Magnus Energy Performance Share Plan (“Magnus Energy PSP”)

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

#### Eligibility

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

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 4 Share Options and Share Awards (Continued)

### (b) Magnus Energy Performance Share Plan (“Magnus Energy PSP”) (Continued)

#### Purpose

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

- (a) the motivation of the Participant to optimise his performance standards and efficiency and to maintain a high level of contribution to the Group;
- (b) the retention of key executives and executive directors of the Group whose contributions are essential to the long-term growth and profitability of the Group;
- (c) to instil loyalty to, and a stronger identification by employees with the long-term prosperity of, the Company;
- (d) to attract potential employees with relevant skills to contribute to the Group and to create value for the shareholders of the Company;
- (e) to align the interests of employees with the interests of the shareholders of the Company; and
- (f) to give recognition to the contributions made or to be made by non-executive directors to the success of the Group.

#### Limitations

The aggregate number of new Shares which may be issued and existing Shares to be purchased for delivery pursuant to Awards granted under the Magnus Energy PSP on any date, when added to the number of new Shares issued and issuable or existing Shares purchased to be delivered and deliverable in respect of (a) all Awards granted under the Magnus Energy PSP, and (b) all options granted under the Magnus Energy Employee Share Option Plan, shall not exceed fifteen (15) per cent. of the total number of issued Share of the Company (excluding treasury shares of the Company, if any) on the day preceding that date.

#### Administration of Magnus Energy PSP

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

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 4 Share Options and Share Awards (Continued)

### (b) Magnus Energy Performance Share Plan (“Magnus Energy PSP”) (Continued)

#### Duration

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

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

#### Grant of Awards

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

- (i) issuance of new shares;
- (ii) purchase of existing shares from the market; and/or
- (iii) cash in lieu of shares, based on the aggregate market value of such shares

provided that the aggregate number of shares to be allotted and issued pursuant to the Magnus Energy ESOP and the Magnus Energy PSP collectively shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

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

Name of participant	Share awards granted during the financial year	Aggregate share awards grant since commencement of scheme to 30.6.2019	Aggregate share awards vested since commencement of scheme to 30.6.2019	Aggregate share awards outstanding as at 30.6.2019
<b>Non-Executive Directors</b>				
Kushairi Bin Zaidel	–	114,372,020	114,372,020	–
Seet Chor Hoon	–	49,063,300	49,063,000	–
Ong Sing Huat	–	32,633,800	32,633,800	–
Ong Chin Chuan <sup>(1)</sup>	–	48,950,800	48,950,800	–
<b>Group Executive</b>				
Luke Ho Khee Yong	–	696,369,200	696,369,200	–
	–	941,389,120	941,389,120	–

**Note:**

(1) Resigned on 30 June 2019.

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 5 Audit Committee

The members of the Audit Committee are:

Wee Liang Hiam, Chairman	(Independent Non-executive Director)
Kushairi Bin Zaidel, Member	(Independent Non-executive Director)
Seet Chor Hoon, Member	(Independent Non-executive Director)

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

- (a) reviewed the effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management;
- (b) reviewed the audit plan of the Company's independent auditors and, if any, their report on the weaknesses of internal accounting control arising from their statutory audit;
- (c) reviewed the assistance provided by the Group's officers to the independent auditors;
- (d) reviewed interested party transactions for the financial year ended 30 June 2019 in accordance with Chapter 9 of the SGX-ST Listing Manual Section B: Rules of Catalist to satisfy themselves that the transactions are of normal commercial terms;
- (e) reviewed the consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 30 June 2019 before their submission to the Board of Directors and the independent auditors' report on those financial statements;
- (f) recommends to the Board of Directors the independent auditors to be nominated and approval of the compensation of the auditors and reviewed the scope of the audit; and
- (g) undertakes such other functions and duties as may be required by statute.

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

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

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



# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 6 Independent Auditors

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

## 7 Other information required by the SGX-ST

- (1) As at 1 July 2018, there was an outstanding amount of S\$407,124 owed by the Company to a director under a loan agreement dated 27 July 2017. The loan was unsecured and had an interest rate of 10% per annum. The outstanding amount, together with accrued interest of S\$20,164 for the period of 1 July 2018 to 31 December 2018, was fully repaid on 31 December 2018.
- (2) As at 1 July 2018, there was an outstanding amount of S\$152,671 (including accrued interest of S\$7,562) owed by the Company to the chief executive officer under a loan agreement dated 27 July 2017. The loan was unsecured and had an interest rate of 10% per annum. The outstanding amount, together with accrued interest of S\$7,562 for the period of 1 July 2018 to 31 December 2018, was fully repaid on 31 December 2018.
- (3) On 17 April 2019, a loan amounting to S\$200,000 was extended by the chief executive officer to the Company. The loan was unsecured and had an interest rate of 10% per annum. The outstanding amount, together with the accrued interest of S\$4,000 for the period of 17 April 2019 to 28 June 2019, was fully repaid on 28 June 2019.

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

On behalf of the Board of Directors,

.....  
KUSHAIRI BIN ZAIDEL  
Director

.....  
WEE LIANG HIAM  
Director

Singapore  
15 October 2019

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

## Report on the audit of the Financial Statements

### Opinion

We have audited the financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 30 June 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

## Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
<p><u>Valuation of property, plant and equipment</u></p> <p>We refer to Note 4 and Note 14 to the consolidated financial statements.</p> <p>As at 30 June 2019, the Group has property, plant and equipment amounting to S\$848,625. Management had performed an impairment test to assess the recoverable amount of the Group's property, plant and equipment. During the current financial year, management recognised an impairment loss of S\$13.0 million on the construction-in-progress based on its fair value less costs to sell.</p> <p>We focused on this area due to significant judgement required by management in respect of the estimated recoverable amount of the construction-in-progress.</p>	<p><u>Our response:</u></p> <p>Our audit procedures focused on evaluating the key assumptions used by management in conducting the impairment review, including consideration of both external and internal factors that represent an indicator of impairment.</p> <p>We obtained management's impairment assessment on the recoverable amount of the construction-in-progress, based on fair value less costs to sell, and evaluated the reasonableness of the inputs and assumptions.</p> <p>We have visited the project site of the construction-in-progress, discussed with management the status of the project and reviewed the vendor quotations used by the management to estimate the recoverable amount of the construction-in-progress.</p> <p><u>Our findings:</u></p> <p>We concurred with management's impairment assessment to be relevant and reasonable based on available evidence.</p>
<p><u>Valuation of other receivables</u></p> <p>We refer to Note 4 and Note 23 to the consolidated financial statements.</p> <p>As at 30 June 2019, the Group has an outstanding receivable which relate to the proceeds from the disposal of quoted securities of S\$2.0 million. During the current financial year, management recognised an allowance for impairment on the receivable of S\$2.0 million because the credit risk on the receivable had increased significantly since initial recognition and the risk of default had increased.</p>	<p><u>Our response:</u></p> <p>Our audit procedures focused on evaluating management's assessment of the expected credit loss of the receivable.</p> <p>We have reviewed the legal opinion on the Group's rights to the receivable from the sale transaction of the quoted securities. We have also reviewed the payment trend of the debtor and the Group's demands for payment from the debtor.</p> <p><u>Our findings:</u></p> <p>We found that management's assessment of the expected credit loss of the other receivable from the disposal of quoted securities to be reasonable based on available evidence.</p>

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

## Other Information

Management is responsible for the other information. The other information comprises the Annual Report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

## **Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF MAGNUS ENERGY GROUP LTD. (INCORPORATED IN SINGAPORE)

## **Auditors' Responsibilities for the Audit of the Financial Statements (Continued)**

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

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

The engagement partner on the audit resulting in this independent auditor's report is Neo Keng Jin.

## **Moore Stephens LLP**

Public Accountants and  
Chartered Accountants

Singapore  
15 October 2019

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 S\$	2018 S\$
<b>Continuing operations</b>			
<b>Revenue</b>	5	<b>17,573,277</b>	18,941,346
Cost of sales		<b>(15,542,823)</b>	(15,969,875)
<b>Gross profit</b>		<b>2,030,454</b>	2,971,471
Other operating income	6	<b>1,681,259</b>	154,942
Other operating expenses	6	<b>(15,952,098)</b>	(8,176,781)
Distribution and selling expenses	7	<b>(106,952)</b>	(158,692)
Administrative expenses	8	<b>(4,955,475)</b>	(5,368,314)
Finance income	10	<b>68,829</b>	142,965
Finance costs	11	<b>(63,952)</b>	(92,407)
<b>Loss before income tax</b>		<b>(17,297,935)</b>	(10,526,816)
Income tax	12	<b>(162,617)</b>	(203,877)
<b>Loss for the year from continuing operations</b>		<b>(17,460,552)</b>	(10,730,693)
<b>Discontinued operations</b>			
Loss for the year from discontinued operations	21(b)	–	(4,598,094)
<b>Net loss for the year</b>		<b>(17,460,552)</b>	(15,328,787)
<b>Other comprehensive income/(loss), net of tax:</b>			
<i>Items that may be classified subsequently to profit or loss:</i>			
– Exchange differences on translation of foreign operations		<b>386,147</b>	4,688,150
– Fair value gain recognised in equity on revaluation of available-for-sale financial assets		–	38,491
– Deferred tax on fair value changes to available-for-sale financial assets		–	(846)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
– Fair value loss recognised in equity on revaluation of financial assets at fair value through other comprehensive income		<b>(54,850)</b>	–
		<b>331,297</b>	4,725,795
<b>Total comprehensive loss for the year</b>		<b>(17,129,255)</b>	(10,602,992)
<b>Net (loss)/profit for the year attributable to:</b>			
Equity holders of the Company		<b>(17,465,311)</b>	(14,751,200)
Non-controlling interests		<b>4,759</b>	(577,587)
		<b>(17,460,552)</b>	(15,328,787)
<b>Total comprehensive (loss)/income for the year attributable to:</b>			
Equity holders of the Company		<b>(17,430,764)</b>	(9,906,000)
Non-controlling interests		<b>301,509</b>	(696,992)
		<b>(17,129,255)</b>	(10,602,992)
<b>Loss per share attributable to the equity holders of the Company (S\$ cents)</b>			
– Basic and diluted for continuing and discontinued operations	13	<b>(0.14)</b>	(0.13)
– Basic and diluted for continuing operations	13	<b>(0.14)</b>	(0.09)

The accompanying notes form an integral part of the financial statements

# STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2019

	Note	30 June 2019 S\$	Group 30 June 2018 S\$	1 July 2017 S\$	30 June 2019 S\$	Company 30 June 2018 S\$	1 July 2017 S\$
<b>ASSETS</b>							
<b>Non-Current Assets</b>							
Property, plant and equipment	14	848,625	18,709,406	17,184,043	201,128	252,000	311,860
Investments in subsidiaries	15	-	-	-	9,425,238	13,475,473	13,441,169
Investment in associated company	16	-	-	-	-	-	-
Investments in joint venture entities	17	-	-	628,325	-	-	-
Goodwill	18	-	-	-	-	-	-
Other intangible assets	19	-	-	-	-	-	-
Other financial assets	20	476,707	672,505	38,252	476,707	637,591	40
Deferred tax assets	12	7,631	50,116	241,423	-	-	-
<b>Total Non-Current Assets</b>		<b>1,332,963</b>	<b>19,432,027</b>	<b>18,092,043</b>	<b>10,103,073</b>	<b>14,365,064</b>	<b>13,753,069</b>
<b>Current Assets</b>							
Inventories	22	1,353,338	2,018,805	3,124,021	-	-	-
Trade and other receivables	23	2,117,465	6,423,625	13,058,524	241,088	575,457	5,391,243
Related parties balances	24	209,398	225,600	282,029	2,088,640	13,713,500	14,414,408
Cash and bank deposits	25	3,353,420	6,064,201	5,410,118	169,488	130,670	213,952
Fixed deposits	26	3,465,457	2,612,104	4,528,609	-	304,055	303,598
		<b>10,499,078</b>	<b>17,344,335</b>	<b>26,403,301</b>	<b>2,499,216</b>	<b>14,723,682</b>	<b>20,323,201</b>
Assets classified as held for sale	21(a)	4,724,088	607,265	1	-	-	730,107
<b>Total Current Assets</b>		<b>15,223,166</b>	<b>17,951,600</b>	<b>26,403,302</b>	<b>2,499,216</b>	<b>14,723,682</b>	<b>21,053,308</b>
<b>Total Assets</b>		<b>16,556,129</b>	<b>37,383,627</b>	<b>44,495,345</b>	<b>12,602,289</b>	<b>29,088,746</b>	<b>34,806,377</b>
<b>LIABILITIES AND EQUITY</b>							
<b>Current Liabilities</b>							
Trade and other payables	27	3,525,115	5,002,905	3,749,191	833,361	827,572	588,602
Due to non-controlling interests	28	2,613,502	-	-	-	-	-
Borrowings	30	-	550,000	1,450,000	-	550,000	1,450,000
Related parties balances	24	113,960	17,855	-	385,448	-	-
Finance lease obligations	31	-	4,653	9,076	-	-	-
Income tax liabilities		35,593	-	90,111	-	-	-
		<b>6,288,170</b>	<b>5,575,413</b>	<b>5,298,378</b>	<b>1,218,809</b>	<b>1,377,572</b>	<b>2,038,602</b>
Liabilities directly associated with assets classified as held for sale	21(a)	-	-	-	-	-	217,938
<b>Total Current Liabilities</b>		<b>6,288,170</b>	<b>5,575,413</b>	<b>5,298,378</b>	<b>1,218,809</b>	<b>1,377,572</b>	<b>2,256,540</b>
<b>Non-Current Liabilities</b>							
Other payables	27	-	-	351,102	-	-	-
Finance lease obligations	31	-	-	4,652	-	-	-
<b>Total Non-Current Liabilities</b>		<b>-</b>	<b>-</b>	<b>355,754</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Liabilities</b>		<b>6,288,170</b>	<b>5,575,413</b>	<b>5,654,132</b>	<b>1,218,809</b>	<b>1,377,572</b>	<b>2,256,540</b>
<b>Equity</b>							
Share capital	32	148,781,865	148,781,865	144,769,088	148,781,865	148,781,865	144,769,088
Reserves	33	(141,350,752)	(123,919,988)	(114,013,988)	(137,398,385)	(121,070,691)	(112,219,251)
		<b>7,431,113</b>	<b>24,861,877</b>	<b>30,755,100</b>	<b>11,383,480</b>	<b>27,711,174</b>	<b>32,549,837</b>
Non-controlling interests		2,836,846	6,946,337	8,086,113	-	-	-
<b>Total Equity</b>		<b>10,267,959</b>	<b>31,808,214</b>	<b>38,841,213</b>	<b>11,383,480</b>	<b>27,711,174</b>	<b>32,549,837</b>
<b>Total Liabilities and Equity</b>		<b>16,556,129</b>	<b>37,383,627</b>	<b>44,495,345</b>	<b>12,602,289</b>	<b>29,088,746</b>	<b>34,806,377</b>

The accompanying notes form an integral part of the financial statements



# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	← Attributable to equity holders of the Company →						
	Share Capital S\$	Fair value Reserve S\$	Translation Reserve S\$	Accumulated Losses S\$	Total S\$	Non- controlling Interests S\$	Total Equity S\$
<b>Group</b>							
<b>2019</b>							
<b>Balance at 1 July 2018</b>	148,781,865	(43,749)	(2,296,687)	(121,579,552)	24,861,877	6,946,337	31,808,214
Net (loss)/profit for the year	-	-	-	(17,465,311)	(17,465,311)	4,759	(17,460,552)
Other comprehensive (loss)/income	-	(54,850)	89,397	-	34,547	296,750	331,297
Total comprehensive (loss)/profit for the year	-	(54,850)	89,397	(17,465,311)	(17,430,764)	301,509	(17,129,255)
Return of share capital to non-controlling interests (Note 15(e))	-	-	-	-	-	(4,411,000)	(4,411,000)
<b>Balance at 30 June 2019</b>	<b>148,781,865</b>	<b>(98,599)</b>	<b>(2,207,290)</b>	<b>(139,044,863)</b>	<b>7,431,113</b>	<b>2,836,846</b>	<b>10,267,959</b>
<b>Group</b>							
<b>2018</b>							
<b>Balance at 1 July 2017</b>	144,769,088	-	(7,185,636)	(106,828,352)	30,755,100	8,086,113	38,841,213
Net loss for the year	-	-	-	(14,751,200)	(14,751,200)	(577,587)	(15,328,787)
Other comprehensive (loss)/income	-	(43,749)	4,888,949	-	4,845,200	(119,405)	4,725,795
Total comprehensive (loss)/profit for the year	-	(43,749)	4,888,949	(14,751,200)	(9,906,000)	(696,992)	(10,602,992)
Issue of new shares (Note 32)	4,084,777	-	-	-	4,084,777	-	4,084,777
Share issue expenses	(72,000)	-	-	-	(72,000)	-	(72,000)
Dividends paid by a subsidiary to non-controlling interests	-	-	-	-	-	(442,784)	(442,784)
<b>Balance at 30 June 2018</b>	<b>148,781,865</b>	<b>(43,749)</b>	<b>(2,296,687)</b>	<b>(121,579,552)</b>	<b>24,861,877</b>	<b>6,946,337</b>	<b>31,808,214</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

	Note	2019 S\$	2018 S\$
<b>Cash Flows from Operating Activities</b>			
Loss for the year from continuing operations		(17,297,935)	(10,526,816)
Loss for the year from discontinued operations		–	(4,598,094)
		<b>(17,297,935)</b>	<b>(15,124,910)</b>
Adjustments:			
Allowance for impairment loss on trade receivables	6	53,632	38,517
Allowance for impairment loss on non-trade receivables	6	2,048,230	7,253,091
Allowance for impairment loss on property, plant and equipment	6	12,974,966	–
Depreciation of property, plant and equipment	8	239,177	275,469
Inventory written-off	6	186,423	507
(Write back)/Allowance for inventory obsolescence	6	(496,817)	187,079
Fair value gain on assets held for sale, net of tax	6	–	(6,621)
Loss on disposal and de-registration of subsidiaries	21(b)	–	4,487,676
Gain on disposal of property, plant and equipment	6	(209,123)	(6,460)
Gain on disposal of business	6	(818,580)	–
Loss on disposal of other financial assets	6	49,009	–
Other financial assets written-off	6	21,229	–
Foreign exchange loss – unrealised		596,291	467,647
Interest expense		32,378	56,648
Interest income		(68,829)	(142,965)
<b>Operating cash flow before working capital changes</b>		<b>(2,689,949)</b>	<b>(2,514,322)</b>
Changes in operating assets and liabilities:			
Inventories		430,141	888,136
Trade and other receivables		1,066,836	(1,190,291)
Trade and other payables		(1,702,669)	1,048,176
Related parties balances (net)		95,783	84,504
<b>Cash flows used in operations</b>		<b>(2,799,858)</b>	<b>(1,683,797)</b>
Interest income received		57,917	65,137
Interest paid		(42,173)	(56,648)
Income taxes paid		(98,374)	(123,944)
<b>Net cash flows used in operating activities</b>		<b>(2,882,488)</b>	<b>(1,799,252)</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(Continued)

	Note	2019 S\$	2018 S\$
<b>Cash Flows from Investing Activities</b>			
Purchase of property, plant and equipment	14	(220,703)	(1,992,486)
Proceeds from disposal of property, plant and equipment		402,826	22,326
Proceeds from disposal of other financial assets		1,038,499	–
Proceeds from disposal of investment in joint venture		607,265	–
Proceeds from disposal of business		1,364,300	–
Increase in restricted fixed deposits		(945,945)	–
Payment of petroleum exploration expenditure		–	(61,526)
Dividend received from joint venture company	17	–	21,504
Fixed deposits pledged to banks		–	65,827
<b>Net cash flows generated from/(used in) investing activities</b>		<b>2,246,242</b>	<b>(1,944,355)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from issuance of convertible notes	30	–	2,000,000
Proceeds from issuance of shares (Note B)		–	1,179,000
Share issue expenses	32	–	(72,000)
Repayment of finance lease obligations		(4,635)	(9,226)
Loan from a key management personnel	30	200,000	–
Repayment to a director and key management personnel	30	(750,000)	(100,000)
Capital reduction of a subsidiary (Note C)		(1,797,498)	–
Dividend paid by a subsidiary to non-controlling interests		–	(442,784)
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(2,352,133)</b>	<b>2,554,990</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(2,988,379)</b>	<b>(1,188,617)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>6,202,848</b>	<b>7,399,900</b>
Effects of foreign exchange rates changes on cash and cash equivalents		279,356	(8,435)
<b>Cash and cash equivalents at the end of the year (Note A)</b>		<b>3,493,825</b>	<b>6,202,848</b>

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

(Continued)

Note A *Cash and cash equivalents*

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

	Note	2019 S\$	2018 S\$
Cash and bank balances	25	<b>3,353,420</b>	6,064,201
Add: Fixed deposits (unrestricted)	26	<b>140,405</b>	138,647
Cash and cash equivalents		<b>3,493,825</b>	6,202,848

Note B *Non-cash transactions*

	2019 S\$	2018 S\$
Issuance of new shares	-	4,084,777
Consideration for issuance of new shares offset against amount due to third party	-	(2,905,777)
Proceeds from issuance of shares	-	1,179,000

Note C *Capital reduction of a subsidiary*

	2019 S\$	2018 S\$
Return of share capital to non-controlling interests	<b>(4,411,000)</b>	-
Due to non-controlling interest (Note 28)	<b>2,613,502</b>	-
Capital reduction of a subsidiary	<b>(1,797,498)</b>	-

The accompanying notes form an integral part of the financial statements

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

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

## 1 General Information

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

The address of the Company's registered office and principal place of business is at 32 Loyang Crescent, Singapore 508992.

The principal activities of the Company are those of investment holding. The principal activities of the subsidiaries, associated company and joint venture entities are set out in Notes 15, 16, and 17, respectively.

## 2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")

The Group has adopted SFRS(I) on 1 July 2018 and has prepared its first set of financial statements under SFRS(I) for the financial year ended 30 June 2019. As a result, the audited financial statements for the year ended 30 June 2018 was the last set of financial statements prepared under the previous Singapore Financial Reporting Standards ("SFRS").

In adopting SFRS(I), the Group is required to apply all the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. Under SFRS(I) 1, these financial statements are required to be prepared using accounting policies that comply with SFRS(I) effective as at 1 January 2018. The same accounting policies are applied throughout all periods presented in these financial statements, subject to the mandatory exceptions and optional exemptions under SFRS(I) 1.

The Group's opening statement of financial position has been prepared as at 1 July 2017, which is the Group's date of transition to SFRS(I)s.

### Optional exemptions applied on adoption of SFRS(I)

For first-time adopters, SFRS(I) 1 allows the exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the following exemptions:

- (a) SFRS(I) 3 *Business Combinations* has not been applied to business combinations that occurred before the date of transition on 1 July 2017. The same classification as in its previous SFRS financial statements has been adopted.
- (b) SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates* has not been applied retrospectively to fair value adjustments and goodwill from business combinations that occurred before the date of transition to SFRS(I) on 1 July 2017. Such fair value adjustments and goodwill continue to be accounted for using the same basis as under SFRS 21.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 2 Application of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (Continued)

### Optional exemptions applied on adoption of SFRS(I) (Continued)

- (c) The Group has not reassessed the determination of whether an arrangement contained a lease in accordance with SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*.
- (d) The Group has elected to apply the requirements in the SFRS(I) 1-23 *Borrowing Costs* from the date of transition to SFRS(I) on 1 July 2017. Borrowing costs that were accounted for previously under SFRS prior to the date of transition are not restated.
- (e) The Group elected the short-term exemption to adopt SFRS(I) 9 on 1 July 2018. Accordingly, the information presented for 2018 is presented, as previously reported, under SFRS 39 *Financial Instruments: Recognition and Measurement*. Arising from this election, the Group is exempted from complying with SFRS(I) 7 *Financial Instruments: Disclosures* to the extent that the disclosures as required by SFRS(I) 7 to items within the scope of SFRS(I) 9.

### (a) First-time adoption of SFRS(I) and adoption of new standards

#### Reconciliation of the Group’s and Company’s equity

The Group’s and the Company’s opening statement of financial position was prepared as at 1 July 2017, which was the Group’s and Company’s date of transition to SFRS(I). There were no material impact to the Group’s and the Company’s balances on adoption of SFRS(I).

#### Reconciliation of the Group’s and Company’s total comprehensive income

There was no material impact to the Group’s and Company’s statement of comprehensive income on adoption of SFRS(I).

#### Notes to the reconciliation of equity and total comprehensive income

##### A. SFRS(I) 1

In adopting SFRS(I) in 2019, the Group has applied the transition requirements in SFRS(I) 1 with 1 July 2017 as the date of transition. SFRS(I) 1 generally requires that the Group applies SFRS(I) that are effective as at 1 January 2018 on a retrospective basis, as if such accounting policy had always been applied, subject to the mandatory exceptions and optional exemptions in SFRS(I) 1. The application of the mandatory exceptions and the optional exemptions in SFRS(I) 1 did not have any significant impact on the financial statements. There were no material adjustments to the Group’s statement of cash flows arising from the transition from SFRS to SFRS(I).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 2 Application of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (Continued)

### (a) First-time adoption of SFRS(I) and adoption of new standards (Continued)

Notes to the reconciliation of equity and total comprehensive income (Continued)

#### B. SFRS(I) 15

SFRS(I) 15 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under SFRS(I) 15, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The Group adopted SFRS(I) 15 in its financial statements using the retrospective approach.

The Group’s accounting policies for its revenue streams are disclosed in detail in Note 3(d) below. Apart from providing more extensive disclosures for the Group’s revenue transactions, the application of SFRS(I) has not had a significant impact on the financial position and/or financial performance of the Group.

#### C. SFRS(I) 9

SFRS(I) 9 *Financial Instruments* sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new “expected credit loss” (“ECL”) model and a new general hedge accounting model. The Group adopted SFRS(I) 9 from 1 July 2018.

The Group has elected to apply the short-term exemption to adopt SFRS(I) 9 on 1 July 2018. Accordingly, requirements of SFRS 39 *Financial Instruments: Recognition and Measurement* will continue to apply to financial instruments up to the financial year ended 30 June 2018 (Note 3(l)). Additionally, the Group is exempted from complying with SFRS(I) 7 for the comparative period to the extent that the disclosures required by SFRS(I) 7 relate to the items within the scope of SFRS(I) 9. As a result, the requirements under SFRS are applied in place of the requirements under SFRS(I) 7 and SFRS(I) 9 to comparative information about items within the scope of the SFRS(I) 9.

Changes in accounting policies resulting from the adoption of SFRS(I) 9 have been generally applied by the Group retrospectively, except as described below:

- The following assessments were made on the basis of facts and circumstances that existed at 1 July 2018.
  - The determination of the business model within which a financial asset is held;

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 2 Application of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (Continued)

### (a) First-time adoption of SFRS(I) and adoption of new standards (Continued)

Notes to the reconciliation of equity and total comprehensive income (Continued)

#### C. SFRS(I) 9 (Continued)

- The determination of whether the contractual terms of a financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding;
  - The designation of an equity investment that is not held-for-trading as at fair value through other comprehensive income (“FVOCI”); and
  - The designation and revocation of previous designations of certain financial assets and financial liabilities measured at fair value through profit or loss (“FVPL”).
- If a debt investment has a low credit risk at 1 July 2018, the Group had assumed that the credit risk on the asset has not increased significantly since its initial recognition.

The adoption did not have any significant impact to the Group’s opening accumulated losses and net assets.

Details of their impact on the Group’s consolidated financial statements as well as the new requirements are described below.

#### (i) *Classification of financial assets and financial liabilities*

The following are the qualitative information regarding the reclassification between categories of financial instruments at the date of initial application of SFRS(I) 9.

Under SFRS(I) 9, financial assets are classified in the following categories: measured at amortised cost, FVOCI (debt instrument), FVOCI (equity instrument); or FVPL. The classification of financial assets under SFRS(I) 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. SFRS(I) 9 eliminates the previous SFRS 39 categories of held-to-maturity, loans and receivables and available-for-sale (“AFS”). Under SFRS(I) 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 2 Application of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (Continued)

### (a) First-time adoption of SFRS(I) and adoption of new standards (Continued)

Notes to the reconciliation of equity and total comprehensive income (Continued)

#### C. SFRS(I) 9 (Continued)

##### (i) Classification of financial assets and financial liabilities (Continued)

The adoption of SFRS(I) 9 has not had a significant effect on the Group’s accounting policies for financial liabilities.

On the date of initial application of SFRS(I) 9 on 1 July 2018, the following table and the accompanying notes below explain the original measurement categories under SFRS 39 and the new measurement categories under SFRS(I) 9 for each class of the Group’s financial assets as at 1 July 2018:

	Group		Carrying amount		Differences S\$
	Measurement category SFRS 39	SFRS(I) 9	SFRS 39 S\$	SFRS(I) 9 S\$	
<u>Non-current financial assets</u>					
Other financial assets – Listed equity security	AFS (FVOCI)	FVOCI	672,505	672,505	–
<u>Current financial assets</u>					
Trade and other receivables (excluding prepayments, advances to suppliers and other taxes recoverable)	Loan and receivables (amortised cost)	Amortised cost	6,358,036	6,358,036	–
Related parties balances	Loan and receivables (amortised cost)	Amortised cost	225,600	225,600	–
Cash and bank deposits	Loan and receivables (amortised cost)	Amortised cost	6,064,201	6,064,201	–
Fixed deposits	Loan and receivables (amortised cost)	Amortised cost	2,612,104	2,612,104	–
<u>Current financial liabilities</u>					
Trade and other payables (excluding advances from customers)	Financial liabilities (amortised cost)	Amortised cost	4,217,669	4,217,669	–
Related parties balances	Financial liabilities (amortised cost)	Amortised cost	17,855	17,855	–
Borrowings	Financial liabilities (amortised cost)	Amortised cost	550,000	550,000	–
Finance lease obligations	Financial liabilities (amortised cost)	Amortised cost	4,653	4,653	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 2 Application of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (Continued)

### (a) First-time adoption of SFRS(I) and adoption of new standards (Continued)

Notes to the reconciliation of equity and total comprehensive income (Continued)

#### C. SFRS(I) 9 (Continued)

##### (i) Classification of financial assets and financial liabilities (Continued)

	Company		Carrying amount		Differences S\$
	Measurement category SFRS 39	SFRS(I) 9	SFRS 39 S\$	SFRS(I) 9 S\$	
<u>Non-current financial assets</u>					
Other financial assets	AFS (FVOCI)	FVOCI	637,591	637,591	–
– Listed equity security					
<u>Current financial assets</u>					
Trade and other receivables (excluding prepayments and other taxes recoverable)	Loan and receivables (amortised cost)	Amortised cost	561,475	561,475	–
Related parties balances	Loan and receivables (amortised cost)	Amortised cost	13,713,500	13,713,500	–
Cash and bank deposits	Loan and receivables (amortised cost)	Amortised cost	130,670	130,670	–
Fixed deposits	Loan and receivables (amortised cost)	Amortised cost	304,055	304,055	–
<u>Current financial liabilities</u>					
Trade and other payables	Financial liabilities (amortised cost)	Amortised cost	827,572	827,572	–
Borrowings	Financial liabilities (amortised cost)	Amortised cost	550,000	550,000	–

##### (ii) Impairment of financial assets

SFRS(I) 9 replaces the “incurred loss” model in SFRS 39 with an “expected credit loss” (“ECL”) model. The new impairment model applies to financial assets measured at amortised cost, but not to equity instruments. The Group has applied the simplified impairment approach to recognise only lifetime ECL impairment charges on trade receivables. For other receivables, the Group has applied the general impairment approach to recognise 12-month ECL impairment charges on all other receivables. The application of SFRS(I) 9 impairment requirements at 1 July 2018 does not have a significant effect on the Group and the Company. Additional information about how the Group and the Company measure the allowance for impairment is described in Note 23.

#### D. Impact on the Statement of cash flows

There were no material adjustments to the Group’s statement of cash flows arising from the transition from SFRS to SFRS(I) and the initial application of SFRS(I) 9 and SFRS(I) 15.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 2 Application of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (Continued)

### (b) SFRS(I)s and SFRS(I) INTs issued but not yet effective

At the date of the authorisation of these financial statements, the following standards that have been issued and are relevant to the Group and Company but yet effective:

		Effective for accounting periods beginning on or after
SFRS(I) 16	<i>Leases</i>	1 January 2019
SFRS(I) INT 23	<i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to SFRS(I) 9	<i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-28	<i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle		
– Amendments to SFRS(I) 3	<i>Business Combinations</i>	1 January 2019
– Amendments to SFRS(I) 1-12	<i>Income Taxes</i>	1 January 2019
– Amendments to SFRS(I) 1-23	<i>Borrowing Costs</i>	1 January 2019
– Amendments to SFRS(I) 1-1 and SFRS(I) 1-8	<i>Definition of Material</i>	1 January 2020
– Amendments to SFRS(I) 3	<i>Definition of a Business</i>	1 January 2020

Except for SFRS(I) 16 described below, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

#### SFRS(I) 16 *Leases*

SFRS(I) 16 *Leases* sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives*, and SFRS(I) INT 1-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 requires lessees to recognise right-of-use (“ROU”) assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The right-of-use asset is depreciated and interest expense is recognised on the lease liability. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 2 Application of Singapore Financial Reporting Standards (International) (“SFRS(I)s”) (Continued)

### (b) SFRS(I)s and SFRS(I) INTs issued but not yet effective (Continued)

SFRS(I) 16 *Leases (Continued)*

The Group plans to adopt SFRS(I) 16 on 1 July 2019 based on a permitted transition approach that does not restate comparative information, but recognises the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of accumulated losses on 1 July 2019. The Group will elect the transition option to record, in respect of leases previously classified as operating leases, the right-of-use asset on 1 July 2019 at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments as at 30 June 2019. The Group also plans to adopt an expedient offered by SFRS(I) 16, exempting the Group from having to reassess whether pre-existing contracts contain a lease.

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

## 3 Summary of Significant Accounting Policies

### (a) Basis of Preparation

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

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) as issued by the Accounting Standards Council. These are the Company’s first financial statements prepared in accordance with SFRS(I) and SFRS(I) 1 *First-time adoption of Singapore Financial Reporting Standards (International)* has been applied. In the previous financial years, the financial statements were prepared in accordance with Singapore Financial Reporting Standards (“SFRS”). An explanation of how the transition to SFRS(I) and application of SFRS(I) 9 and SFRS(I) 15 have affected the reported financial position, financial performance and cash flows is provided in Note 2(a). These financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and in preparing the opening SFRS(I) statements of financial position at 1 July 2017 for the purposes of the transition to SFRS(I), unless otherwise indicated.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (b) Group Accounting

#### (i) Subsidiaries

##### Consolidation

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

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

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

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

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

Acquisition-related costs are expensed as incurred.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (b) Group Accounting (Continued)

#### (i) Subsidiaries (Continued)

##### Consolidation (Continued)

If the business combination is achieved in stages, the acquisition date carrying amount of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss. Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with SFRS(I) 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

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

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

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

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

##### Disposal of subsidiaries

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (b) Group Accounting (Continued)

#### (ii) Associates and Joint Ventures

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (b) Group Accounting (Continued)

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

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

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

### (c) Foreign Currencies

#### *Functional and presentation currency*

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

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

#### *Transactions and balances*

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (c) Foreign Currencies (Continued)

#### *Translation of Group entities' financial statements*

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

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

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

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

### (d) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (d) Revenue Recognition (Continued)

#### Sale of goods

Revenue is recognised when the control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the manner of distribution and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has the objective evidence that all criteria for acceptance have been satisfied. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract. Contract liability includes "advances from customers" on the statement of financial position. A receivable is recognised when the goods are delivered, as this represents the point in time that the right to consideration is unconditional, because only the passage of time is required before the payment is due.

#### Revenue from maintenance services

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

#### Revenue from rental of equipment

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

#### Interest income

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

#### Dividend income

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

### (e) Employee Benefits

#### (i) Defined contribution plans

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (e) Employee Benefits (Continued)

#### (ii) Employee leave entitlements

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

### (f) Property, Plant and Equipment

#### Measurement

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

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

#### Depreciation

Assets under construction are not depreciated as these assets are not yet available for use.

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

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

#### *Depreciation (Continued)*

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

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

#### *Subsequent expenditure*

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

#### *Disposal*

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

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

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

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

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

### (h) Goodwill on Consolidation

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (h) Goodwill on Consolidation (Continued)

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

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

The Group's policy for goodwill arising on the acquisition of associated companies and joint venture entities are described under "Associates and Joint Ventures" in Note 3(b)(ii).

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

### (i) Intangible Assets

#### Exploration, evaluation and development expenditure

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (i) Intangible Assets (Continued)

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

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

Exploration, evaluation and development assets are assessed for impairment when facts and circumstances suggest that the carrying amount of an exploration and evaluation asset may exceed its recoverable amount.

Amortisation of costs carried forward will be charged from the commencement of production. When production commences, costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

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

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

### (k) Financial Assets – Accounting policies are applicable from 1 July 2018

#### (i) Classification and measurement

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

- those to be measured subsequently at fair value either through other comprehensive income (FVOCI) or through profit or loss (FVPL), and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows. The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

#### Initial Recognition

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of a third party, if the trade receivables do not contain a significant financing component at initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (k) Financial Assets – Accounting policies are applicable from 1 July 2018 (Continued)

#### (i) Classification and measurement (Continued)

##### Subsequent Measurement

#### (a) Debt instruments

Debt instruments mainly comprise of cash and bank deposits (Note 25), fixed deposits (Note 26), trade and other receivables (excluding prepayments, advances to suppliers and other taxes recoverable) (Note 23) and related parties balances (Note 24). Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments using amortised cost.

##### Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. For debt instrument that is measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss. Impairment losses are deducted from the gross carrying amount of these assets and are presented as separate line item in the statement of profit or loss.

Interest income is recognised in profit or loss and is included in the "finance income" line item.

#### (b) Equity instruments

The Group subsequently measures all equity investments at fair value. On initial recognition of an equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value of equity investments in OCI and there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Designation at FVOCI is not permitted if the equity investment is held for trading or if it is contingent consideration recognised by an acquirer in a business combination.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (k) Financial Assets – Accounting policies are applicable from 1 July 2018 (Continued)

#### (i) Classification and measurement (Continued)

##### (b) Equity instruments (Continued)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or
- it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Dividends from such investments continue to be recognised in profit or loss as “other operating income” when the Group’s right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the statement of profit or loss as applicable.

Changes in fair value of equity instruments at FVOCI are recognised in other comprehensive income. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, instead, they will be transferred to accumulated losses.

#### (ii) Impairment

The Group assesses on a forward-looking basis, the expected credit losses associated with the following financial instruments:

- financial assets measured at amortised costs;
- financial assets measured at FVPL; and
- contract assets (as defined in SFRS(I) 15).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (k) Financial Assets – Accounting policies are applicable from 1 July 2018 (Continued)

#### (ii) Impairment (Continued)

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs – represents the ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs – represents the ECLs that will result from all possible default events over the expected life of a financial instrument or contract asset.

The impairment methodology applied depends on whether there has been a significant increase in credit risk.

#### Simplified approach – Trade receivables

The Group applies the simplified approach to provide ECLs for all trade receivables as permitted by SFRS(I) 9. The simplified approach requires expected lifetime losses to be recognised from initial recognition of the receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

#### General approach – Other financial instruments

The Group applies the general approach to provide for ECLs on all other financial instruments which requires the loss allowance to be measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs. In assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information that is reasonable and supportable, including the Group's historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (k) Financial Assets – Accounting policies are applicable from 1 July 2018 (Continued)

#### (ii) Impairment (Continued)

##### General approach – Other financial instruments (Continued)

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

##### Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired.

Evidence that a financial asset is credit-impaired includes the observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event (e.g. being more than 90 days past due);
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower or a concession(s) that the lender(s) would not otherwise consider (e.g. the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise);
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (k) Financial Assets – Accounting policies are applicable from 1 July 2018 (Continued)

#### (ii) Impairment (Continued)

##### Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

##### Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

#### (iii) Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes party to the contractual provisions of the instruments. All regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset.

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

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is reclassified to profit or loss. On derecognition of an investment in equity instrument, the difference between the carrying amount and sales proceeds is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If the Group has elected on initial recognition to measure the equity instrument at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is not reclassified to profit or loss, but is transferred to accumulated losses.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (I) Financial Assets – Accounting policies applied until 30 June 2018

As disclosed in Note 2(a), the Group has applied SFRS(I) 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

#### (i) Classification

Until 30 June 2018, the Group classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

- *Financial assets, at fair value through profit or loss*

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

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

- *Loans and receivables*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (I) Financial Assets – Accounting policies applied until 30 June 2018 (Continued)

#### (i) Classification (Continued)

- *Available-for-sale financial assets*

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

#### (ii) Recognition and derecognition

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

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

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

#### (iii) Initial measurement

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (I) Financial Assets – Accounting policies applied until 30 June 2018 (Continued)

#### (iv) Subsequent measurement

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

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

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

#### (v) Impairment

- *Loans and receivables*

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (l) Financial Assets – Accounting policies applied until 30 June 2018 (Continued)

#### (v) Impairment (Continued)

- *Available-for-sale financial assets*

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

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

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

### (m) Cash and Cash Equivalents

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

### (n) Inventories

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

#### Finished goods

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

#### Work-in-progress

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

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (o) Financial Liabilities

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

#### Trade and other payables

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

#### Borrowings

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

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

#### Derecognition of financial liabilities

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

### (p) Borrowing Costs

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

### (q) Share Capital

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

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

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

### (s) Share-based Payments

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

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

### (t) Compound Instruments (Convertible Notes)

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

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

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

### (u) Leases

#### *Lessee – Finance leases*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (u) Leases (Continued)

#### Lessee – Operating leases

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

#### Lessor – Operating leases

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

### (v) Income Tax

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

#### Current tax

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

#### Deferred tax

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

### (v) Income Tax (Continued)

#### *Deferred tax (Continued)*

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

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

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

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

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

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

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

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

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

### (w) Segment Reporting

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 3 Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

### Critical judgements in applying accounting policies

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

(i) Loss allowance for receivables

The Group measures the loss allowance for receivables in accordance with the accounting policy as disclosed in Note 3(k). This assessment is based on the credit history of its customers and other debtors and the current market condition. Provisions are made where events or changes in circumstances indicate that the receivables may not be collectible and this requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact the carrying amount of the receivables and impairment is recognised in the period in which such estimate has been changed.

The Group made a loss allowance on trade and other receivables of S\$53,632 and S\$2,048,230 (2018: S\$38,517 and S\$7,253,091) respectively. The carrying amount of the Group's trade and other receivables is disclosed in Note 23. The information about the expected credit losses (ECLs) on the Group's trade and other receivables is disclosed in Note 23 and 39(b).

### Key sources of estimation uncertainty

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

(i) Impairment of property, plant and equipment

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

The Group made an allowance for impairment loss on property, plant and equipment of S\$12,974,966 (2018: Nil) during the financial year ended 30 June 2019. The carrying amount of property, plant and equipment is disclosed in Note 14.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

### Key sources of estimation uncertainty (Continued)

#### (ii) Allowance for inventories

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

The Group has written back an allowance of inventory obsolescence for the financial year ended 30 June 2019 of S\$496,817 (2018: made an allowance for inventory obsolescence of S\$187,079). In addition, inventories amounting to S\$186,423 (2018: S\$507) were written off during the year.

Further details of the allowance for inventories and the carrying amount of the Group's inventories are disclosed in Note 22.

#### (iii) Impairment of investments in subsidiaries

Management exercises their judgement in estimating recoverable amounts of its investments in subsidiaries. The recoverable amounts of the investments in subsidiaries are reviewed at the end of each reporting period to determine whether there is any indication that the investments in subsidiaries has suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of impairment loss (if any). Recoverable amount is the higher of fair value less cost to sell and value in use.

The Company made an impairment on investments in subsidiaries of S\$1,587,655 (2018: Nil) during the financial year ended 30 June 2019. The carrying amount of investments in subsidiaries is disclosed in Note 15. The impairment loss has no impact on the consolidated financial statements of the Group.

## 5 Revenue

### Disaggregation of revenue from contract with customers

The Group's revenue is disaggregated by type of good or service, principal geographical areas and timing of revenue recognition. This is consistent with the revenue information as disclosed in Note 38 Segment Information.

	Group	
	2019 S\$	2018 S\$
Type of good or service		
Revenue from sale of goods	<b>17,126,154</b>	18,870,303
Revenue from maintenance services	<b>341,712</b>	12,341
Revenue from rental of equipment	<b>105,411</b>	58,702
	<b>17,573,277</b>	18,941,346

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 5 Revenue (Continued)

### Disaggregation of revenue from contract with customers (Continued)

	Group	
	2019 S\$	2018 S\$
<u>Principal geographical market</u>		
Singapore	3,728,907	2,754,770
Australia	587,757	849,204
Malaysia	20,783	1,559,990
Indonesia	3,195	963,639
Thailand	1,004,535	1,045,791
United States of America	4,597,117	3,514,424
United Arab Emirates	3,677,519	2,965,098
Saudi Arabia	1,242,630	8,824
Others	2,710,834	5,279,606
	<b>17,573,277</b>	<b>18,941,346</b>
<u>Timing of transfer of good or service</u>		
At a point in time	17,126,154	18,870,303
Over a period of time	447,123	71,043
	<b>17,573,277</b>	<b>18,941,346</b>

## 6 Other Operating Income/Expenses

	Group	
	2019 S\$	2018 S\$
<b>Continuing operations</b>		
The following items have been included in arriving at other operating income:		
Write back of allowance for inventory obsolescence	496,817	–
Gain on disposal of plant and equipment	209,123	6,460
Fair value gain on assets held for sale, net of tax	–	6,621
Gain on disposal of business*	818,580	–
Other income	156,739	141,861
	<b>1,681,259</b>	<b>154,942</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 6 Other Operating Income/Expenses (Continued)

	Group	
	2019 S\$	2018 S\$
The following items have been included in arriving at other operating expenses:		
Allowance for impairment loss on trade receivables	53,632	38,517
Allowance for impairment loss on non-trade receivables	2,048,230	7,253,091
Allowance for impairment on property, plant and equipment	12,974,966	–
Inventory written off	186,423	507
Foreign exchange loss	618,609	636,061
Allowance for inventory obsolescence (Note 22)	–	187,079
Expenditure for PRL 173 and 174	–	61,526
Other financial assets written off	21,229	–
Loss on disposal of other financial assets	49,009	–
	<b>15,952,098</b>	<b>8,176,781</b>

\* On 7 August 2018, the Group disposed its South-East Asian business in a subsidiary, Mid-Continent Equipment Group Pte Ltd. The disposal of the business included the transfer of inventories, intellectual property rights and certain employees. The consideration received in cash was S\$1,364,300 (US\$1,000,000) and the carrying amount of the attributable inventories disposed was S\$545,720 (US\$400,000), resulting in a gain on disposal of S\$818,580 (US\$600,000).

## 7 Distribution and Selling Expenses

	Group	
	2019 S\$	2018 S\$
<b>Continuing operations</b>		
Entertainment expenses	26,097	47,486
Public relation expenses	8,856	16,485
Travelling expenses	71,999	94,721
	<b>106,952</b>	<b>158,692</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 8 Administrative Expenses

	Group	
	2019	2018
	S\$	S\$
<b>Continuing operations</b>		
The following items have been included in arriving at administrative expenses:		
Audit fees		
– Company auditors	<b>119,328</b>	147,230
– Other auditors	<b>43,967</b>	62,179
Non-audit fees		
– Company auditors	–	–
– Other auditors	–	5,488
Depreciation of property, plant and equipment	<b>239,177</b>	275,406
Personnel expenses (Note 9)	<b>2,818,053</b>	3,013,555
Insurance expenses	<b>174,050</b>	197,792
Operating lease expenses	<b>214,924</b>	376,079

## 9 Personnel Expenses

	Group	
	2019	2018
	S\$	S\$
<b>Continuing operations</b>		
Staff costs:		
– wages, salaries and bonuses	<b>1,816,193</b>	2,154,407
– defined contribution plans	<b>128,897</b>	150,694
– other personnel expenses	<b>13,138</b>	65,532
	<b>1,958,228</b>	2,370,633
Directors' wages, salaries and bonuses:		
– directors of subsidiaries	<b>644,984</b>	401,607
Directors' defined contribution plans:		
– directors of subsidiaries	<b>8,566</b>	31,387
Directors' fees:		
– directors of the Company	<b>146,275</b>	134,975
– directors of subsidiaries	<b>60,000</b>	74,953
Total directors' remuneration	<b>859,825</b>	642,922
Total personnel expenses (Note 8)	<b>2,818,053</b>	3,013,555

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 10 Finance Income

	Group	
	2019	2018
	S\$	S\$
<b>Continuing operations</b>		
Interest income:		
– bank and fixed deposits and others	<b>68,829</b>	142,965

## 11 Finance Costs

	Group	
	2019	2018
	S\$	S\$
<b>Continuing operations</b>		
Interest expense:		
– bank overdrafts	<b>87</b>	908
– finance leases	<b>565</b>	1,362
– borrowings	<b>31,726</b>	54,378
	<b>32,378</b>	56,648
Bank charges	<b>31,574</b>	35,759
	<b>63,952</b>	92,407

## 12 Income Tax

### (a) Income tax expense

	Group	
	2019	2018
	S\$	S\$
Current income tax		
– current year	<b>122,310</b>	20,361
– over provision in respect of prior years	<b>(8)</b>	–
	<b>122,302</b>	20,361
Deferred tax		
– current year	<b>40,315</b>	183,516
Income tax relating to continuing operations	<b>162,617</b>	203,877

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 12 Income Tax (Continued)

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

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

	Group	
	2019 S\$	2018 S\$
Loss before income tax from continuing operations	<b>(17,297,935)</b>	(10,526,816)
Tax at the statutory tax rate	<b>(2,940,649)</b>	(1,789,559)
Tax effect of non-deductible expenses*	<b>3,028,085</b>	1,561,372
Tax effect of non-taxable income	<b>(89,483)</b>	(2,634)
Over provision in respect of current tax in prior years, net	<b>(8)</b>	–
Deferred tax assets not recognised	<b>183,000</b>	444,000
Effect of different tax rates in other countries	<b>(18,328)</b>	(9,302)
	<b>162,617</b>	203,877

\* Non-deductible expenses mainly include the allowances and impairments (Note 6).

The statutory tax rate used above is the corporate tax rate of 17% (2018: 17%) payable by corporate entities in Singapore on taxable profits under tax laws in that jurisdiction. The remaining entities of the Group operating in other tax jurisdictions are considered not material.

As at 30 June 2019, the Group has unutilised tax losses of approximately S\$29,791,000 (2018: S\$33,636,000) available for offset against future taxable profits of the entities of the Group in which the losses arose, subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which the entities operate. The unutilised tax losses of S\$4,962,000 from the previous financial year ended 30 June 2018 expired upon deregistration of the Group's subsidiary during the current financial year ended 30 June 2019. The deferred tax benefits of approximately S\$6,276,000 (2018: S\$6,937,000) arising from these unutilised tax losses have not been recognised in the financial statements as management has assessed that it is not probable that taxable profits will be available against which the unutilised tax losses can be utilised.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 12 Income Tax (Continued)

### (b) Deferred tax assets

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

	Group		
	30 June 2019	30 June 2018	1 July 2017
	S\$	S\$	S\$
Deferred tax assets	<b>7,631</b>	50,116	241,423

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

	Balance at the beginning of the year S\$	Recognised in profit or loss S\$	Recognised in other comprehensive income S\$	Currency realignment S\$	Balance at the end of the year S\$
<b>Group</b>					
<u>2019</u>					
<i>Deferred tax assets:</i>					
Property, plant and equipment	<b>50,116</b>	<b>(40,315)</b>	-	<b>(2,170)</b>	<b>7,631</b>
<u>2018</u>					
<i>Deferred tax assets:</i>					
Provisions	15,055	(25,258)	-	10,203	-
Available-for-sale financial assets	189,156	(182,995)	(846)	(5,315)	-
Property, plant and equipment	37,212	24,737	-	(11,833)	50,116
	241,423	(183,516)	(846)	(6,945)	50,116

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 13 Loss Per Share

	Group	
	2019 S\$	2018 S\$
Loss for the year attributable to equity holders of the Company	<b>(17,465,311)</b>	(14,751,200)
Loss for the year from discontinued operations used in the calculation of loss per share from discontinued operations	-	(4,742,247)
Loss for the year from continued operations used in the calculation of loss per share from continuing operations	<b>(17,465,311)</b>	<b>(10,008,953)</b>
Weighted average number of ordinary shares outstanding for the purposes of loss per share	<b>12,632,507,107</b>	11,467,722,133
<b>Loss per share (S\$ cents)</b>		
- Basic and diluted from continuing operations	<b>(0.14)</b>	(0.09)
- Basic and diluted from discontinued operations	-	(0.04)
<b>Total loss per share</b>	<b>(0.14)</b>	(0.13)

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

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

There are no dilutive potential ordinary shares as at 30 June 2019.

Diluted loss per share as at 30 June 2018 is the same as the basic loss per share because the potential ordinary shares to be converted are anti-dilutive as the effect of the share conversion would be to decrease the loss per share.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 14 Property, Plant and Equipment

### (a) Group

	Freehold land	Freehold building	Leasehold buildings and improvements	Machinery tools and equipment	Motor vehicles	Computers equipment	Office equipment	Furniture and fittings	Renovations	Construction-in-progress	Total
	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$	S\$
2019											
<u>Cost</u>											
Balance at 1 July 2018	607,408	913,153	4,934,641	757,505	467,890	417,110	46,617	736,434	55,247	12,946,312	21,882,317
Additions	-	-	-	14,239	124,185	3,652	-	-	-	78,627	220,703
Disposals	-	(215,580)	-	(131,085)	(147,866)	(53,999)	(457)	(81,468)	-	-	(630,455)
Reclassified as held for sale	(491,161)	(477,420)	(4,881,251)	-	-	-	-	-	-	-	(5,849,832)
Translation differences	(31,231)	102,905	(53,390)	(32,588)	(1,272)	29,225	(28,925)	(39,867)	10,065	(74,600)	(119,678)
Balance at 30 June 2019	85,016	323,058	-	608,071	442,937	395,988	17,235	615,099	65,312	12,950,339	15,503,055
<u>Accumulated depreciation and impairment loss</u>											
Balance at 1 July 2018	-	126,707	964,667	743,049	233,538	392,973	40,731	632,880	38,366	-	3,172,911
Charge for the year	-	16,811	118,690	1,236	47,847	14,254	1,932	21,526	16,881	-	239,177
Disposals	-	(76,058)	-	(128,282)	(144,935)	(46,464)	(457)	(40,556)	-	-	(436,752)
Eliminated on reclassification as held for sale	-	(61,920)	(1,063,824)	-	-	-	-	-	-	-	(1,125,744)
Impairment losses recognised in profit or loss	-	-	-	-	-	-	-	-	-	12,974,966	12,974,966
Translation differences	-	(5,540)	(19,533)	(32,581)	(185)	21,988	(28,479)	(38,886)	10,065	(76,977)	(170,128)
Balance at 30 June 2019	-	-	-	583,422	136,265	382,751	13,727	574,964	65,312	12,897,989	14,654,430
<u>Net book value</u>											
Balance at 30 June 2019	85,016	323,058	-	24,649	306,672	13,237	3,508	40,135	-	52,350	848,625
<u>Net book value</u>											
- At cost	85,016	323,058	-	24,649	306,672	13,237	3,508	40,135	-	-	796,275
- At valuation	-	-	-	-	-	-	-	-	-	52,350	52,350
	85,016	323,058	-	24,649	306,672	13,237	3,508	40,135	-	52,350	848,625

As at 30 June 2019, the Group's freehold land, freehold building and leasehold buildings and improvements with a net book value of S\$4,724,088 was reclassified to assets held for sale (Note 21(a)).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 14 Property, Plant and Equipment (Continued)

### (a) Group (Continued)

2018	Freehold land	Freehold building	Leasehold buildings and improvements	Machinery and tools and equipment	Motor vehicles	Computers and equipment	Office furniture and fittings	Renovations in-progress	Construction-in-progress	Total
Cost										
Balance at 1 July 2017	633,863	945,120	4,981,672	1,113,281	469,500	408,871	46,907	55,247	11,095,693	20,476,794
Additions	-	-	-	-	-	12,183	-	-	1,938,044	1,992,486
Disposals	-	-	-	(345,294)	-	-	(25,658)	-	-	(370,952)
Translation differences	(26,455)	(31,967)	(47,031)	(10,482)	(1,610)	(3,944)	(290)	-	(87,425)	(216,011)
Balance at 30 June 2018	607,408	913,153	4,934,641	757,505	467,890	417,110	46,617	55,247	12,946,312	21,882,317
Accumulated depreciation and impairment loss										
Balance at 1 July 2017	-	113,820	854,066	1,090,589	187,329	370,378	38,616	19,952	-	3,292,751
Charge for the year	-	18,835	116,750	7,913	47,200	25,930	2,452	37,975	-	275,469
Disposals	-	-	-	(345,294)	-	-	-	(9,792)	-	(355,086)
Translation differences	-	(5,948)	(6,149)	(10,159)	(991)	(3,335)	(337)	-	-	(40,223)
Balance at 30 June 2018	-	126,707	964,667	743,049	233,538	392,973	40,731	632,880	38,366	3,172,911
Net book value										
Balance at 30 June 2018	607,408	786,446	3,969,974	14,456	234,352	24,137	5,886	103,554	16,881	18,709,406
Balance at 1 July 2017	633,863	831,300	4,127,606	22,692	282,171	38,493	8,291	108,639	35,295	17,184,043



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 14 Property, Plant and Equipment (Continued)

### (a) Group (Continued)

- (i) During the year, impairment losses recognised in respect of construction-in-progress amounted to S\$12,974,966 (2018: Nil) as a result of the asset being written down to its recoverable amount. The recoverable amount of the construction-in-progress is its fair value less costs of disposal. The fair value of the construction-in-progress is regarded as level 3 in the fair value hierarchy.

#### Valuation techniques used to derive Level 3 fair values

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

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

- (ii) Details of land and building owned by the Group are as follows:

Location	Description	Area (sqm)	Title
5234 Brittmoore-North Road Harris County, Texas 77041 (KM 449C), USA	Office/Warehouse facility	Land: 6,494 Building: 795	Freehold

- (iii) As at 30 June 2019, the Group has a motor vehicle with a net book value of S\$186,867 (2018: S\$216,765; 1 July 2017: S\$246,664) registered in the name of a key management personnel of the Company held in trust for the Group.
- (iv) As at 30 June 2018, the Group has certain furniture and fittings under finance leases with a net book value of S\$3,841 (1 July 2017: S\$13,185).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 14 Property, Plant and Equipment (Continued)

### (b) Company

	Motor vehicles S\$	Computers S\$	Office equipment S\$	Furniture and fittings S\$	Renovations S\$	Total S\$
2019						
<u>Cost</u>						
Balance at 1 July 2018	298,987	69,260	17,692	28,785	55,247	469,971
Disposals	–	(24,770)	(457)	(11,308)	–	(36,535)
Balance at 30 June 2019	298,987	44,490	17,235	17,477	55,247	433,436
<u>Accumulated depreciation</u>						
Balance at 1 July 2018	82,222	69,260	12,252	15,871	38,366	217,971
Charge for the year	29,898	–	1,932	2,161	16,881	50,872
Disposals	–	(24,770)	(457)	(11,308)	–	(36,535)
Balance at 30 June 2019	112,120	44,490	13,727	6,724	55,247	232,308
<u>Net book value</u>						
Balance at 30 June 2019	186,867	–	3,508	10,753	–	201,128
2018						
<u>Cost</u>						
Balance at 1 July 2017 and 30 June 2018	298,987	69,260	17,692	28,785	55,247	469,971
<u>Accumulated depreciation</u>						
Balance at 1 July 2017	52,323	61,807	10,321	13,710	19,950	158,111
Charge for the year	29,899	7,453	1,931	2,161	18,416	59,860
Balance at 30 June 2018	82,222	69,260	12,252	15,871	38,366	217,971
<u>Net book value</u>						
Balance at 30 June 2018	216,765	–	5,440	12,914	16,881	252,000
Balance at 1 July 2017	246,664	7,453	7,371	15,075	35,297	311,860

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 15 Investments in Subsidiaries

### (a) Investments in subsidiaries comprised:

	30 June 2019 S\$	Company 30 June 2018 S\$	1 July 2017 S\$
<i>Equity investments, at cost:</i>			
Balance at the beginning of the year	16,204,821	16,170,517	15,363,886
Additions (Note 15(e))	3,126,420	34,304	806,631
Capital reduction by a subsidiary (Note 15(e))	(5,589,000)	–	–
Balance at the end of the year	13,742,241	16,204,821	16,170,517
<i>Allowance for impairment loss:</i>			
Balance at the beginning of the year	(2,729,348)	(2,729,348)	(1,000,000)
Additions at the end of the year	(1,587,655)	–	(1,729,348)
Balance at the end of the year	(4,317,003)	(2,729,348)	(2,729,348)
Net book value	9,425,238	13,475,473	13,441,169

#### Allowance for impairment loss

#### (i) Mid-Continent Equipment Group Pte Ltd. and its subsidiaries (“MEG Group”)

As at 30 June 2019, an allowance for impairment loss of S\$746,718 (2018: Nil; 1 July 2017: S\$1,729,348) was made on the cost of investment in MEG Group as the management had assessed the recoverable amount to be less than the carrying amount. The recoverable amount was based on management’s estimate of the fair value less costs to sell, with reference to the fair value of the net assets of MEG Group. The fair value less costs to sell was based on management’s estimate of the market disposal price of MEG Group’s assets and liabilities as at 30 June 2019.

#### (ii) MEG Management Sdn. Bhd. (“MMSB”)

As at 30 June 2019, an allowance for impairment loss of S\$840,937 (2018: Nil; 1 July 2017: Nil) was made on the cost of investment in MMSB as the management had assessed the recoverable amount to be less than the carrying amount. The recoverable amount was based on management’s estimate of the fair value less costs to sell, with reference to the fair value of the net assets of MMSB. The fair value less costs to sell was based on management’s estimate of the market disposal price of MMSB’s assets and liabilities as at 30 June 2019.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 15 Investments in Subsidiaries (Continued)

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

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group		
			30 June 2019 %	30 June 2018 %	1 July 2017 %
<i>Held by the Company</i>					
Antig Investments Pte. Ltd. <sup>7</sup>	Investment holding	Singapore	–	–	100.00
MEG Global Ventures Pte. Ltd. (“MGV”)	Investment holding	Singapore	<b>100.00</b>	100.00	100.00
Mid-Continent Equipment Group Pte Ltd. (“MEG”)	Investment holding and supply of equipment, tools and accessories used in the oil drilling business, distribution of tubular products, equipment and spares, provision of environmental and waste management services, fabrication and installation of control systems and testing of valve actuation	Singapore	<b>55.89</b>	55.89	55.89
MEG Management Sdn. Bhd. (“MMSB”) <sup>1</sup>	Providing management services and production of microalgae oil	Malaysia	<b>100.00</b>	100.00	100.00
APAC Coal Limited (“APAC”) <sup>6</sup>	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	–	–	56.91
MEG Global Resources Limited (“MGR”) <sup>2</sup>	Trading of energy and natural resources	British Virgin Islands	<b>100.00</b>	100.00	100.00
Flagship Ecosystems Pte. Ltd. (“Flagship”)	Providing environmental engineering services and wholesale of machinery and equipment	Singapore	<b>81.33</b>	81.33	81.33
PT MEG Harta Indonesia (“PT MEG”) <sup>2</sup>	Investment holding, property and infrastructure development and trading of natural resources	Indonesia	<b>90.00</b>	90.00	90.00
Mid-Continent Enterprises, LLC (“MELLC”) <sup>2, 5</sup>	Holding of warehouse property	United States of America	<b>99.00</b>	–	–
Mid-Continent Equipment, Inc. (“MEI”) <sup>2, 5</sup>	Supply of oilfield equipment	United States of America	<b>80.00</b>	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 15 Investments in Subsidiaries (Continued)

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

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group		
			30 June 2019 %	30 June 2018 %	1 July 2017 %
<i>Held by APAC</i>					
PT Deefu Chemical Indonesia ("PT Deefu") <sup>6</sup>	Trading in chemical materials	Indonesia	–	–	56.91
<i>Held by PT Deefu</i>					
PT Batubara Selaras Sapta <sup>6</sup>	Coal mining and marketing of coal products	Indonesia	–	–	56.91
<i>Held by MGR</i>					
PT MEG Harta Indonesia ("PT MEG") <sup>2</sup>	Investment holding, property and infrastructure development and trading of natural resources	Indonesia	10.00	10.00	10.00
<i>Held by MEG</i>					
Mid-Continent Equipment (Australia) Pty Ltd ("ME Australia") <sup>3</sup>	Supply of oilfield and mining equipment	Australia	55.89	55.89	55.89
Mid-Continent Enterprises, LLC("MELLC") <sup>2, 5</sup>	Holding of warehouse property	United States of America	–	55.89	55.89
Mid-Continent Equipment, Inc. ("MEI") <sup>2, 5</sup>	Supply of oilfield equipment	United States of America	–	44.71	44.71
Mid-Continent Environmental Project Pte Ltd ("MEP")	Sale and rental of decanters and provision of environmental and waste management services	Singapore	55.89	55.89	55.89
Mid-Continent Tubular Pte Ltd ("MTS") <sup>4</sup>	Trading in oilfield tubular products and the provision of related services	Singapore	–	55.89	55.89

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

- 1 Audited by Moore Stephens LLP for group consolidation purposes.
- 2 Not required to be audited under the laws of its country of incorporation but was audited by Moore Stephens LLP, Singapore for group consolidation purposes.
- 3 Not required to be audited under the laws of its country of incorporation but was audited by Moore Stephens LLP, Singapore and Moore Stephens (WA) Pty Ltd for group consolidation purposes.
- 4 De-registered during the financial year ended 30 June 2019.
- 5 Transferred to the Company from MEG during the financial year ended 30 June 2019.
- 6 Disposed during the financial year ended 30 June 2018.
- 7 De-registered during the financial year ended 30 June 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 15 Investments in Subsidiaries (Continued)

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

Name of subsidiary	Country of incorporation/ principal place of business	Proportion of ownership and voting rights held by non-controlling interests		Net loss allocated to non-controlling interests		Accumulated non-controlling interests		
		30 June 2019	30 June 2018	30 June 2019	30 June 2018	30 June 2019	30 June 2018	1 July 2017
		%	%	S\$	S\$	S\$	S\$	S\$
MEG Group	Singapore	<b>44.11</b>	44.11	<b>(24,114)</b>	(715,412)	<b>2,415,515</b>	6,994,118	8,074,011
	United States of America							
MEI	America	<b>20.00</b>	-	<b>24,044</b>	-	<b>490,100</b>	-	-
APAC Group*	Australia	-	-	-	144,152	-	-	8,837
Other subsidiaries with immaterial non-controlling interests				<b>4,829</b>	(6,327)	<b>(68,769)</b>	(47,781)	3,265
				<b>4,759</b>	(577,587)	<b>2,836,846</b>	6,946,337	8,086,113

\* disposed during the financial year ended 30 June 2018 (see Note 21).

During the previous financial year ended 30 June 2018, dividends paid by MEG to non-controlling interests amounted to S\$442,784.

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

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

	30 June 2019	MEG Group 30 June 2018	1 July 2017
	S\$	S\$	S\$
<u>Summarised statement of financial position</u>			
Current assets	<b>10,626,724</b>	13,212,518	14,652,543
Non-current assets	<b>41,703</b>	6,208,159	6,693,301
Current liabilities	<b>(5,192,311)</b>	(3,997,030)	(3,117,717)
Non-current liabilities	-	-	(355,753)
Equity attributable to owners of MEG	<b>(5,476,116)</b>	(14,944,109)	(17,420,364)
Non-controlling interests	-	(479,596)	(452,010)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 15 Investments in Subsidiaries (Continued)

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

	MEG Group	
	2019 S\$	2018 S\$
<u>Summarised statement of comprehensive income</u>		
Revenue	13,772,996	18,941,346
Loss after tax for the year	(54,668)	(1,664,008)
Total comprehensive loss for the year	(54,668)	(1,239,348)
<u>Summarised statement of cash flows</u>		
Net cash inflow/(outflow) from operating activities	1,408,784	(1,171,727)
Net cash outflow from investing activities	(4,438,616)	(6,968)
Net cash outflow from financing activities	(995,072)	(9,081)
Net cash outflow	(4,024,904)	(1,187,776)

	30 June	MEI	1 July
	2019 S\$	30 June 2018 S\$	1 July 2017 S\$
<u>Summarised statement of financial position</u>			
Current assets	4,520,716	–	–
Non-current assets	124,225	–	–
Current liabilities	(2,194,441)	–	–
Non-current liabilities	–	–	–
Equity attributable to owners of MEI	(2,450,000)	–	–
Non-controlling interests	–	–	–

	MEI	
	2019 S\$	2018 S\$
<u>Summarised statement of comprehensive income</u>		
Revenue	12,162,501	–
Profit after tax for the year	161,150	–
Total comprehensive income for the year	161,150	–
<u>Summarised statement of cash flows</u>		
Net cash inflow from operating activities	258,332	–
Net cash outflow from investing activities	(126,685)	–
Net cash outflow from financing activities	(378,560)	–
Net cash outflow	(246,913)	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 15 Investments in Subsidiaries (Continued)

### (e) Additions

#### Transfer of subsidiaries within the Group

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

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

#### Increase in investment in a wholly-owned subsidiary

In the previous financial year ended 30 June 2018, the Company increased its investment in its wholly-owned subsidiary, MMSB by subscribing for an additional 100,000 ordinary shares in the issued and paid-up capital of MMSB for a cash consideration of S\$34,304.

In the financial year ended 30 June 2017, the Company increased its investment in its wholly-owned subsidiary, MMSB by subscribing for an additional 2,499,998 ordinary shares in the issued and paid-up capital of MMSB for a consideration of S\$806,631 by way of capitalisation of an intercompany loan payable by MMSB to the Company.

## 16 Investment in Associated Company

### (a) Investment in associated company comprised:

	30 June 2019 S\$	Group 30 June 2018 S\$	1 July 2017 S\$
<i>Equity investments, at cost:</i>			
Balance at the beginning and end of the year	350	350	350
<i>Share of post-acquisition losses:</i>			
Balance at the beginning and end of the year	(350)	(350)	(350)
Net book value	-	-	-



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 16 Investment in Associated Company (Continued)

(b) Details of the Group's associated company are as follows:

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group		
			30 June 2019 %	30 June 2018 %	1 July 2017 %

*Held by MEG*

Mohebi – Midcontinent Oilfield Supply Limited Liability Company <sup>1</sup>	Trading in oilfield equipment and spare parts	United Arab Emirates	<b>27.39</b>	27.39	27.39
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<sup>1</sup> Audited by Ernst & Young, United Arab Emirates.

As at 30 June 2019 and 2018 and 1 July 2017, the associated company was considered not material to the Group. The associated company has remained inactive for the financial years ended 30 June 2019 and 2018. There was no income generated and no expenses incurred for the financial years ended 30 June 2019 and 2018.

## 17 Investments in Joint Venture Entities

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

	30 June 2019 S\$	Group 30 June 2018 S\$	1 July 2017 S\$
Balance at the beginning of the year	–	628,325	859,197
Share of the loss after tax for the year	–	–	(77,072)
Dividend receivable from joint venture entities	–	(21,504)	(174,163)
Transferred to assets held for sale (Note 21(a))	–	(607,265)	–
Foreign exchange differences	–	444	20,363
Balance at the end of the year	–	–	628,325

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 17 Investments in Joint Venture Entities (Continued)

The joint venture entities are held by subsidiary of the Group. Details of the Group's joint venture entities at the end of the reporting period as follows:

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective Equity Interest held by the Group		
			30 June 2019 %	30 June 2018 %	1 July 2017 %
<i>Held by MEP</i>					
Plant Tech Mid-Continent (India) Pvt. Ltd. ("PTMC") <sup>1, 3, 4</sup>	Catalyst handling and reactor maintenance, hot-topping and allied services, and bolt tensioning services	India	-	-	27.95
MEP Waste Management (M) Sdn Bhd <sup>2</sup>	Provision of environmental and waste management services	Malaysia	<b>27.95</b>	27.95	27.95

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

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

3 Transferred to assets held for sale during the previous financial year 30 June 2018 (Note 21(a)).

4 Disposed during the year ended 30 June 2019.

As at 30 June 2019 and 2018, no joint venture entity was considered individually material to the Group. The summarised financial information of the Group's share of the joint venture entities for the financial year ended 1 July 2017 is as follows:

	Group 1 July 2017 S\$
Current assets	1,252,120
Non-current assets	264,680
Current liabilities	(883,311)
Non-current liabilities	(5,164)
Revenue	<u>1,891,244</u>
Loss for the year	(77,072)
Other comprehensive income for the year	-
Total comprehensive loss for the year	<u>(77,072)</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 18 Goodwill

	30 June 2019 S\$	Group 30 June 2018 S\$	1 July 2017 S\$
<i>Cost:</i>			
Balance at the beginning and end of the year	<b>1,866,733</b>	1,866,733	1,866,733
<i>Accumulated impairment losses:</i>			
Balance at the beginning of the year	<b>(1,866,733)</b>	(1,866,733)	(297,030)
Impairment loss recognised in the year	-	-	(1,569,703)
Balance at the end of the year	<b>(1,866,733)</b>	(1,866,733)	(1,866,733)
Net book value	-	-	-

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

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

	30 June 2019 S\$	Group 30 June 2018 S\$	1 July 2017 S\$
MEG Group – Oilfield equipment supply and services	<b>1,569,703</b>	1,569,703	1,569,703
Flagship Group	<b>297,030</b>	297,030	297,030
	<b>1,866,733</b>	1,866,733	1,866,733

#### (i) MEG Group

During the financial year ended 30 June 2017, management has assessed the carrying amount of the MEG Group, including the goodwill, to be in excess of its recoverable amount. Therefore, the goodwill allocated to the MEG Group was regarded as impaired as at 30 June 2017.

#### (ii) Flagship Ecosystems Pte. Ltd. and its subsidiary (collectively the "Flagship Group")

In the financial year ended 30 June 2016, the Company completed the acquisition of a 60% equity interest in the Flagship Group and recognised goodwill arising on acquisition of S\$297,030.

During the financial year ended 30 June 2016, management has assessed the carrying amount of the Flagship Group, including the goodwill, to be in excess of its recoverable amount. Therefore, the goodwill allocated to the Flagship Group was regarded as impaired as at 30 June 2016.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 19 Other Intangible Assets

	30 June 2019 S\$	Group 30 June 2018 S\$	1 July 2017 S\$
<i>Petroleum Retention License</i>			
<i>Cost:</i>			
Balance at the beginning of the year	5,165,985	5,165,985	4,381,220
Additions	-	-	224,647
Write off	(5,165,985)	-	-
Currency realignment	-	-	560,118
Balance at the end of the year	-	5,165,985	5,165,985
<i>Accumulated impairment losses:</i>			
Balance at the beginning of the year	(5,165,985)	(5,165,985)	-
Write off	5,165,985	-	-
Impairment loss	-	-	(5,165,985)
Balance at the end of the year	-	(5,165,985)	(5,165,985)
Net book value	-	-	-

The petroleum exploration rights represent the Group's contribution of its 20% participating interest in PRL 173 and 174 granted under the Petroleum Act 2000 of South Australia. The Group's accounting policy for exploration and evaluation expenditure is discussed in Note 3(i). The application of this accounting policy requires management to make certain estimates and assumptions as to future events and circumstances. Any such estimates and assumptions may change as new information becomes available.

In the financial year ended 30 June 2017, a full allowance of S\$5,165,985 to impair the carrying amount of the Group's interest in PRL 173 and PRL 174 was recognised as the production test showed no commercial value.

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

## 20 Other Financial Assets

	Group			Company		
	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$
<i>Non-current</i>						
<i>Available-for-sale financial assets, at FVOCI</i>						
Quoted equity shares	-	672,505	38,252	-	637,591	40
<i>Equity investments measured at FVOCI</i>						
Quoted equity shares	476,707	-	-	476,707	-	-

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 20 Other Financial Assets (Continued)

As per the Group's investment policy, these investments in quoted equity shares are not held for trading. Instead, they are held mainly for long-term strategic purposes. Accordingly, these investments are designated at FVOCI as the management believes that recognising short-term fluctuations in these investments' FVPL would not be consistent with the Group's strategy of holding these investments for long-term purposes.

During the financial year ended 30 June 2019, the Group recognised a fair value loss of S\$54,850 (2018: S\$43,749) through other comprehensive loss.

## 21 Assets classified as held for sale

### (a) Non-current assets and disposal group classified as held for sale

	Group			Company		
	30 June	30 June	1 July	30 June	30 June	1 July
	2019	2018	2017	2019	2018	2017
	S\$	S\$	S\$	S\$	S\$	S\$
Assets classified as held for sale	<b>4,724,088</b>	607,265	1	-	-	730,107 <sup>1</sup>
Liabilities associated with assets held for sale	-	-	-	-	-	217,938

<sup>1</sup> Comprised investment in APAC Group of S\$491,660 and amount due from APAC of S\$238,447.

During the previous financial year ended 30 June 2018, APAC acquired 100% of the shares in Credit Intelligence Holding Limited from Beta Field (China) Financial Information Services Ltd, resulting in a reverse takeover of APAC. The consideration of A\$14,968,545 was funded by the issue of 748,427,243 fully paid ordinary shares by APAC at A\$0.02 per share (after share consolidation on a ratio of 3.4681:1).

Pursuant to the reverse takeover of APAC, the Company ceased to be the majority and controlling shareholder of APAC and its subsidiaries (collectively the "APAC Group") and held 40,165,694 shares in Credit Intelligence Limited ("CIL") (formerly known as APAC) as at 30 June 2018. The Group's interest in CIL, a company listed on the ASX had been classified as available-for-sale financial assets, at fair value (Note 20) in the previous financial year ended 30 June 2018.

On 11 September 2018, the Group entered into a share transfer agreement with their joint venture partner, Plant-Tech Industrial Services Limited, for the disposal of its 50% equity interest in PTMC for a sale consideration of INR32,743,750 (approximately S\$0.6 million). Pursuant to the share transfer agreement signed, the Group classified its interest in PTMC as assets classified as held for sale in the previous financial year ended 30 June 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 21 Assets classified as held for sale (Continued)

### (a) Non-current assets and disposal group classified as held for sale (Continued)

The disposal of its 50% equity interest in PTMC completed on 3 October 2018, and PTMC has ceased to be a joint venture entity of the Group. The sale consideration was fully paid on completion.

As at 30 June 2019, the Group is seeking to dispose of certain properties of the Group and has reclassified the carrying amount for the properties of S\$4,724,088 (Note 14) as assets classified as held for sale. The directors are actively seeking for potential buyers for its properties through property agents and advertisements and the sale is expected to be completed within 12 months from the date of financial statements.

Details of land and buildings owned by the Group which are classified as assets held for sale as at 30 June 2019 as follows:

Location	Description	Area (sqm)	Title	The Group's interest %	Carrying amount S\$
<i>Held by ME Australia</i>					
130 Mills Street, Welshpool Western Australia	Office/Warehouse facility	Land: 2,521 Building: 300	Freehold	55.89	293,610
8 Industrial Road, Gatton, Queensland Australia	Office and warehouse building	Land: 6,000 Building: 720	Freehold	55.89	613,051
<i>Held by MEG</i>					
32 Loyang Crescent, Singapore 508992 Singapore	Office and warehouse building	Land: 4,222 Building: 3,428	Leasehold (expiring in 2051)	55.89	3,817,427
					4,724,088

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 21 Assets classified as held for sale (Continued)

### (b) Discontinued operations

	Group	
	30 June 2018 S\$	1 July 2017 S\$
<b>Loss for the year from discontinued operations</b>		
Other operating income	122,382	–
Other operating expenses*	(4,487,676)	–
Distribution and selling expenses	(34,352)	(84,006)
Administrative expenses	(198,255)	(215,430)
Finance income	3	2
Finance costs	(196)	(389)
<b>Loss before tax</b>	<b>(4,598,094)</b>	<b>(299,823)</b>
Income tax	–	–
<b>Loss for the year from discontinued operations</b>	<b>(4,598,094)</b>	<b>(299,823)</b>
<b>Cash flows from discontinued operations</b>		
Net cash outflow from operating activities	(232,737)	(125,538)
Net cash inflow from financing activities	232,737	104,643

\* comprising loss on disposal of subsidiary of S\$4,487,676.

## 22 Inventories

	Group		
	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$
<i>At cost:</i>			
Finished goods	<b>1,329,300</b>	648,201	869,396
Goods-in-transit	<b>18,291</b>	930,069	882,966
Work-in-progress	<b>5,747</b>	60,620	87,033
	<b>1,353,338</b>	1,638,890	1,839,395
<i>At net realisable value:</i>			
Finished goods	–	379,915	1,284,626
Carrying amount at	<b>1,353,338</b>	2,018,805	3,124,021
Cost of inventories sold included in cost of sales amounted to:	<b>15,542,823</b>	15,920,218	11,457,453

The Group had recognised a write back for inventory obsolescence of S\$496,817 due to sale of goods above the carrying amounts during the current financial year. In the previous financial year ended 30 June 2018, the Group made an allowance for inventory obsolescence of S\$187,079 to write down certain inventories to their net realisable values, with reference to price quotations from third party suppliers and to scrap metal prices based on industry benchmarks for similar inventories.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 23 Trade and Other Receivables

	Group			Company		
	30 June 2019	30 June 2018	1 July 2017	30 June 2019	30 June 2018	1 July 2017
	S\$	S\$	S\$	S\$	S\$	S\$
<b>Current</b>						
Trade receivables	<b>1,928,669</b>	2,778,494	1,688,401	-	-	-
Less: Loss allowance	<b>(142,117)</b>	(90,244)	(51,002)	-	-	-
	<b>1,786,552</b>	2,688,250	1,637,399	-	-	-
Advances to suppliers	<b>55,911</b>	26,743	101,186	-	-	-
Assigned Debt (a)	-	911,880	1,008,840	-	-	-
Redeemable convertible loan (b), (d)	-	-	5,000,000	-	-	5,000,000
Amount recoverable from Indonesia Projects (c), (d)	-	-	1,900,000	-	-	-
Loan receivable from third party (d)	<b>7,253,091</b>	7,253,091	-	-	-	-
Less: Loss allowance (d)	<b>(7,253,091)</b>	(7,253,091)	-	-	-	-
Amount receivable for disposal of quoted equity shares (e)	<b>2,048,230</b>	2,136,660	2,830,379	-	-	-
Less: Loss allowance (e)	<b>(2,048,230)</b>	-	-	-	-	-
Other receivables	-	564,123	119,073	<b>6,420</b>	558,938	27,310
Deposits	<b>208,310</b>	38,529	22,929	<b>193,100</b>	430	560
Prepayments	<b>14,247</b>	31,716	38,638	<b>8,205</b>	9,417	6,329
Other interests receivable	<b>29,245</b>	18,594	375,833	-	2,107	357,044
Other taxes recoverable	<b>23,200</b>	7,130	24,247	<b>33,363</b>	4,565	-
Amount recoverable from Joint Investment (f)	<b>1,407,500</b>	1,407,500	1,407,500	<b>1,407,500</b>	1,407,500	1,407,500
Less: Loss allowance (f)	<b>(1,407,500)</b>	(1,407,500)	(1,407,500)	<b>(1,407,500)</b>	(1,407,500)	(1,407,500)
	<b>2,117,465</b>	6,423,625	13,058,524	<b>241,088</b>	575,457	5,391,243

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

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are non-interest bearing and generally due for settlement within 30 to 90 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 23 Trade and Other Receivables (Continued)

### Loss allowance on trade receivables

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL) as disclosed in the accounting policy Note 3(k). The Group has recognised a loss allowance of S\$142,117 for certain customers over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

The Group's credit risk exposure in relation to trade receivables from contracts with customers under SFRS(I) 9 as at 30 June 2019 are set out in the provision matrix as presented below. The Group's provision for loss allowance is based on past due as the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments.

	← Trade receivables past due (days) →					Total S\$
	Current S\$	1 – 30 days S\$	31 – 60 days S\$	61 – 90 days S\$	> 90 days S\$	
<b>Group</b>						
Expected credit loss rate	0.00%	0.10%	0.20%	0.30%	2.00%	
Trade receivables – gross carrying amount at default	389,246	692,784	296,157	254,591	295,891	1,928,669
Loss allowance – lifetime ECL	–*	–*	–*	–*	–*	–*
Loss allowance – credit-impaired	–	–	–	–	(142,117)	(142,117)
Total loss allowance	–	–	–	–	(142,117)	(142,117)
						<u>1,786,552</u>

\*: Considered immaterial.

The movements in credit loss allowance for impairment of trade receivables during the year are as follows:

	Group Lifetime ECL S\$
At 1 July 2018 per SFRS 39	90,244
Adjustment on initial application of SFRS(I) 9	–
At 1 July 2018 per SFRS(I) 9	90,244
Impairment loss recognised profit or loss during the year	
– Assets acquired	53,632
– Currency realignment	(1,759)
	<u>51,873</u>
As at 30 June 2019 per SFRS(I) 9	<u>142,117</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 23 Trade and Other Receivables (Continued)

### Loss allowance on trade receivables (Continued)

Previous accounting policy for impairment of trade receivables and amount due from joint venture entity (trade)

As at 30 June 2018 and 1 July 2017, trade receivables and amount due from joint venture entity (trade) (Note 24) include amounts which are past due at the end of the reporting period but for which the Group has not recognised an allowance for impairment losses because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral or other credit enhancements over these balances, nor does it have a legal right of offset against any amounts owed by the Group to the counterparty.

	Group	
	30 June 2018 S\$	1 July 2017 S\$
Not past due and not impaired	1,310,337	936,073
Past due but not impaired		
– 1 to 30 days	276,732	120,951
– 31 to 60 days	713,761	277,046
– 61 to 90 days	291,494	85,083
– Over 90 days	105,032	294,937
	1,387,019	778,017

	Group 30 June 2018 S\$
<u>Movement in the loss allowance</u>	
Balance at beginning of the year	51,002
Impairment losses recognised on receivables	38,517
Currency realignment	725
Balance at end of the year	90,244

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date the credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 23 Trade and Other Receivables (Continued)

### Loss allowance on other receivables

For the financial year ended 30 June 2019, the Group charged an allowance for impairment loss to profit or loss on other receivables of S\$2,048,230 (2018: S\$7,253,091; 1 July 2017: S\$88,896).

#### (a) Assigned Debt

During the financial year ended 30 June 2016, MGV, a subsidiary of the Group, had entered into a deed of assignment (the "Deed") with Revenue Anchor Sdn Bhd ("RASB") pursuant to which, RASB shall assign to MGV the benefit of the loan amounting to a sum of GBP510,000 (approximately S\$1.0 million) (the "Assigned Debt") owing from GCM Resources plc ("GCM") to RASB under the terms of the convertible loan agreement ("CLA") as further described below.

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

During the current financial year ended 30 June 2019, RASB transferred the GCM shares to the Group as final settlement of the Assigned Debt. The Group disposed of the GCM shares and recognised a loss on disposal of other financial assets of S\$18,778.

#### (b) Redeemable Convertible Loan ("RCL")

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 23 Trade and Other Receivables (Continued)

### Loss allowance on other receivables (Continued)

(b) Redeemable Convertible Loan ("RCL") (Continued)

The RCL is secured by an agreement whereby PTH grants power of attorney to a director of an Indonesia subsidiary of the Group to act for and on behalf of PTH to sell, transfer or dispose of all the interest (legal, beneficial or otherwise) in the Kupang Land.

During the previous financial year ended 30 June 2018, the RCL was consolidated into an interest bearing loan (Note 23(d)).

(c) Amount recoverable from Indonesia Projects

During the financial year ended 30 June 2017, the Group and PTH has mutually agreed to early terminate projects in Indonesia ("Road and Dam Projects"). Pursuant to the terms of the early termination, PTH shall return the full advanced amount of S\$4.9 million. During the financial year ended 30 June 2017, the Group had recovered S\$3.0 million from PTH.

During the previous financial year ended 30 June 2018, the remaining balances were consolidated into an interest-bearing loan (Note 23(d)).

(d) Loan receivable from third party

During the previous financial year ended 30 June 2018, the Group and PTH entered into a Deed of Acknowledgement of Indebtedness ("Deed") whereby the amount recoverable from Indonesia Projects (Note 23(c)) and the Redeemable Convertible Loan including interest receivable (Note 23(b)) were consolidated into an interest-bearing loan with a principal amount of S\$7.3 million. The loan bears an interest at 5% per annum on the principal amount of the loan, payable semi-annually and an additional interest of 7% per annum on the outstanding principal amount of the loan, payable on 31 August 2020.

During the previous financial year ended 30 June 2018, a lawsuit had been filed by a third party, to which PTH had been identified as a co-defendant. The lawsuit pertained to a dispute over the ownership of the land which encompasses the development site in Kupang. The Group had engaged an independent legal advisor on the matter. The legal advisor is of the opinion that it would be difficult for the Group to sell the land as the lawsuit against PTH over the ownership of the land presents a risk to prospective buyers.

In view of the ongoing legal proceedings and uncertainty over the legal ownership of the Kupang Land, the Group has not written back the allowance for impairment loss of S\$7,253,091 recognised in the previous financial year ended 30 June 2018.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 23 Trade and Other Receivables (Continued)

### Loss allowance on other receivables (Continued)

- (e) Amount receivable for disposal of quoted equity shares

During the financial year ended 30 June 2017, the Group disposed of 9,000,000 quoted equity shares in GCM to a third party for a consideration of approximately S\$3,100,000. As at 30 June 2019, S\$2,048,230 (2018: S\$2,136,660) remains outstanding and there was no repayment from a third party during the current financial year ended 30 June 2019. Management has assessed that the default risk on the receivable has increased significantly.

The Group has recognised a full impairment of S\$2,048,230 as at 30 June 2019. The loss allowance has been included under other operating expenses in profit or loss (Note 6).

- (f) Amount recoverable from Joint Investment

During the financial year ended 30 June 2016, the Company had entered into a joint investment agreement with Yangtze Investment Partners Limited ("Yangtze"), a company incorporated in Hong Kong, to invest US\$1.0 million (approximately S\$1.4 million) (the "Joint Investment Amount") for an investment in a potential initial public offering of a renewable energy company.

During the financial year ended 30 June 2017, the Company had terminated the joint investment agreement with Yangtze. As at 30 June 2019 and 2018 and 1 July 2017, the loss allowance on the amount recoverable from Joint Investment was S\$1,407,500.

## 24 Related Parties Balances

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

	Group			Company		
	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$
Due from:						
– Subsidiaries (non-trade)	–	–	–	<b>2,088,640</b>	13,713,500	14,414,408
– Joint venture entity (trade)	–	9,106	76,691	–	–	–
– Joint venture entities (non-trade)	<b>209,398</b>	216,494	205,338	–	–	–
	<b>209,398</b>	225,600	282,029	<b>2,088,640</b>	13,713,500	14,414,408
Due to:						
– Subsidiary (non-trade)	–	–	–	<b>(385,448)</b>	–	–
– Joint venture entity (trade)	<b>(113,960)</b>	(17,855)	–	–	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 24 Related Parties Balances (Continued)

The trade amounts are within normal trade credit terms of 30 – 90 days. The non-trade amounts are unsecured, interest-free and repayable on demand based on cash terms.

The Group uses a similar approach for assessment of ECLs for the amount due from joint venture entity (trade) as disclosed in Note 23.

For the purpose of impairment assessment, the non-trade receivables from joint venture entities are considered to have low credit risk as there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment on these receivables, the loss allowance is measured at an amount equal to 12-month expected credit losses which reflects low credit nature of the exposures. These receivables are performing, based on internal credit rating. There is no loss allowance arising from these outstanding balances as the expected credit losses are not material.

## 25 Cash and Bank Deposits

	Group			Company		
	30 June 2019	30 June 2018	1 July 2017	30 June 2019	30 June 2018	1 July 2017
	S\$	S\$	S\$	S\$	S\$	S\$
Cash and bank balances	<b>3,353,420</b>	6,064,201	5,410,118	<b>169,488</b>	130,670	213,952

## 26 Fixed Deposits

	Group			Company		
	30 June 2019	30 June 2018	1 July 2017	30 June 2019	30 June 2018	1 July 2017
	S\$	S\$	S\$	S\$	S\$	S\$
Fixed deposits (restricted)	<b>3,325,052</b>	2,473,457	2,538,827	–	304,055	303,598
Fixed deposits (unrestricted)	<b>140,405</b>	138,647	1,989,782	–	–	–
	<b>3,465,457</b>	2,612,104	4,528,609	–	304,055	303,598

### Fixed deposits

Fixed deposits bear interest ranging from 1.8% to 2.2% (2018: 1.6% to 2.0%; 1 July 2017: 0.5% to 2.0%) per annum and have maturity periods ranging from 3 to 12 months (2018: 3 to 12 months; 1 July 2017: 3 to 12 months). The restricted fixed deposits are pledged as security against bank overdrafts facility.

As at 30 June 2018, restricted fixed deposits included an amount of S\$304,055 (1 July 2017: S\$303,598) held in the name of one of the directors of the Company holding in trust for the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 27 Trade and Other Payables

	Group			Company		
	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$
<u>Current</u>						
Trade payables	<b>1,464,804</b>	1,175,825	1,630,406	-	-	-
Other payables	<b>694,312</b>	427,507	233,366	<b>661,632</b>	391,899	206,580
Advances from customers	<b>620,493</b>	785,236	540,295	-	-	-
Amounts due to directors	<b>41,525</b>	155,402	74,299	<b>41,525</b>	124,957	74,299
Accrued operating expenses	<b>703,981</b>	2,458,935	1,270,825	<b>130,204</b>	310,716	307,723
	<b>3,525,115</b>	5,002,905	3,749,191	<b>833,361</b>	827,572	588,602
<u>Non-current</u>						
Other payables	-	-	351,102	-	-	-

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

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

## 28 Due to Non-Controlling Interests

	Group			Company		
	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$
Due to non-controlling interests	<b>2,613,502</b>	-	-	-	-	-

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

## 29 Bank Overdrafts

As at 30 June 2019 and 2018, the Group has no outstanding bank overdrafts. During the current financial year ended 30 June 2019, the effective interest rate for bank overdrafts that were utilised by the Group was 5.75% (2018: 5.75%; 1 July 2017: Nil) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 30 Borrowings

	30 June 2019 S\$	Group 30 June 2018 S\$	1 July 2017 S\$	30 June 2019 S\$	Company 30 June 2018 S\$	1 July 2017 S\$
<i>Unsecured convertible notes:</i>						
Balance at the beginning of the year	-	800,000	1,250,000	-	800,000	1,250,000
Convertible notes issued	-	2,000,000	2,500,000	-	2,000,000	2,500,000
Conversion to shares (Note 32)	-	(2,800,000)	(2,950,000)	-	(2,800,000)	(2,950,000)
Balance at the end of the year	-	-	800,000	-	-	800,000
<i>Secured convertible notes:</i>						
Balance at the beginning of the year	-	-	3,500,000	-	-	3,500,000
Convertible notes redeemed	-	-	(3,500,000)	-	-	(3,500,000)
Balance at the end of the year	-	-	-	-	-	-
<i>Short-term borrowings</i>						
Balance at the beginning of the year	<b>550,000</b>	650,000	-	<b>550,000</b>	650,000	-
Proceeds from short-term borrowing	<b>200,000</b>	-	650,000	<b>200,000</b>	-	650,000
Repayment of short-term borrowing	<b>(750,000)</b>	(100,000)	-	<b>(750,000)</b>	(100,000)	-
Balance at the end of the year	-	550,000	650,000	-	550,000	650,000
	-	550,000	1,450,000	-	550,000	1,450,000

### Unsecured convertible notes

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



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 30 Borrowings (Continued)

### Unsecured convertible notes (Continued)

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

During the previous financial year ended 30 June 2018, the Company issued convertible notes with principal amounts totalling S\$2.0 million pursuant to the subscription agreement, and S\$2.8 million of the outstanding convertible notes had been converted by the Subscriber into ordinary shares of the Company based on the terms of the subscription agreement.

Management had assessed that the fair value of the convertible option of the convertible notes issued was not material. Accordingly, no derivative had been recognised for the outstanding convertible notes during the financial year ended 30 June 2017.

The unsecured convertible notes matured on 6 November 2017. As at previous financial year 30 June 2018, the Company has fully redeemed the unsecured convertible notes.

### Short-term borrowings

During the financial year ended 30 June 2017, the Company obtained short-term borrowings of S\$650,000 from a director and a key management personnel of the Company. The borrowings are unsecured, bear interest at 10% per annum and are repayable within 12 months.

On 27 April 2018, the short-term borrowings from a director and a key management personnel was further extended for a period of 12 months.

During the current financial year ended 30 June 2019, the Company obtained additional short-term borrowing of S\$200,000 from a key management personnel of the Company at interest of 10% per annum. The Company had made full repayment for all the short-term borrowings during the year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 31 Finance Lease Obligations

	30 June 2019 S\$	Group 30 June 2018 S\$	1 July 2017 S\$	30 June 2019 S\$	Company 30 June 2018 S\$	1 July 2017 S\$
Minimum lease payments payable:						
Due not later than one year	-	5,220	10,437	-	-	-
Due later than one year and not later than five years	-	-	5,333	-	-	-
		5,220	15,770	-	-	-
Finance charges allocated to future years	-	(567)	(2,042)	-	-	-
Present value of minimum lease payments	-	4,653	13,728	-	-	-
<i>Classified as:</i>						
- Non-current	-	-	4,652	-	-	-
- Current	-	4,653	9,076	-	-	-

The effective interest rate of the finance lease obligations is 6% (2018: 6%; 1 July 2017: 6%) per annum.

The reconciliation of movements of liabilities to cash flows arising from financing activities is presented below:

	← Cash flows →			← Non-cash item →		
	1 July S\$	Proceeds S\$	(Repayment) S\$	Share issuance S\$	Foreign Exchange Movement S\$	30 June S\$
<b>2019</b>						
Short term borrowings	550,000	200,000	(750,000)	-	-	-
Finance lease obligation	4,653	-	(4,635)	-	(18)	-
<b>2018</b>						
Unsecured convertible notes	800,000	2,000,000	-	(2,800,000)	-	-
Short term borrowings	650,000	-	(100,000)	-	-	550,000
Finance lease obligation	13,728	-	(9,226)	-	151	4,653

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 32 Share Capital

	1 July 2018 to 30 June 2019		Group and Company 1 July 2017 to 30 June 2018		1 July 2016 to 30 June 2017	
	Number of shares	S\$	Number of shares	S\$	Number of shares	S\$
<i>Ordinary shares issued and fully paid:</i>						
Balance at the beginning of the year	<b>12,632,507,107</b>	<b>148,781,865</b>	8,105,619,899	144,769,088	3,911,612,739	140,957,335
Issue of new shares	-	-	1,415,776,100	1,284,777	-	-
Shares awarded to employees under Magnus Energy PSP (Note 37(a))	-	-	-	-	975,753,200	975,753
Conversion of convertible notes (Note 30)	-	-	3,111,111,108	2,800,000	3,218,253,960	2,950,000
Share issue expenses	-	-	-	(72,000)	-	(114,000)
Balance at the end of the year	<b>12,632,507,107</b>	<b>148,781,865</b>	12,632,507,107	148,781,865	8,105,619,899	144,769,088

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

## 33 Reserves

	Group			Company		
	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$	30 June 2019 S\$	30 June 2018 S\$	1 July 2017 S\$
Translation reserve	<b>(2,207,290)</b>	(2,296,687)	(7,185,636)	-	-	-
Fair value reserve	<b>(98,599)</b>	(43,749)	-	<b>(98,599)</b>	(43,749)	-
Accumulated losses	<b>(139,044,863)</b>	(121,579,552)	(106,828,352)	<b>(137,299,786)</b>	(121,026,942)	(112,219,251)
	<b>(141,350,752)</b>	(123,919,988)	(114,013,988)	<b>(137,398,385)</b>	(121,070,691)	(112,219,251)

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 33 Reserves (Continued)

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

	Group	
	2019	2018
	S\$	S\$
Balance at the beginning of the year	<b>(2,296,687)</b>	(7,185,636)
Exchange difference arising on translation of foreign operations	<b>89,397</b>	4,888,949
Balance at the end of the year	<b>(2,207,290)</b>	(2,296,687)

As at 30 June 2018, there is a cumulative loss of S\$4,888,949 (1 July 2017: S\$4,892,211) for losses on translation of foreign operations included in the translation reserve relating to the APAC Group up to that date, which was realised on completion of the disposal of APAC Group.

## 34 Commitments

### (a) Operating lease commitments

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

	Group	
	2019	2018
	S\$	S\$
Within 1 year	<b>134,068</b>	204,264
After 1 year to 5 years	<b>387,314</b>	389,647
After 5 years	<b>2,633,148</b>	2,729,483
	<b>3,154,530</b>	3,323,394

### (b) Commitments

As at 30 June 2019, the Group has suspended the construction-in-progress of the microalgae oil cultivation facility. The remaining commitment as at 30 June 2019 not recognised as liabilities in the financial statements was S\$4,341,139 (2018: S\$4,444,683).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 35 Assistance in the Investigations of the Commercial Affairs Department

On 2 April 2014, the Company and certain subsidiaries of the Group received Notices from the Commercial Affairs Department of the Singapore Police Force (“CAD”) requiring their assistance with the CAD’s investigations into an offence under the Securities and Futures Act, Chapter 289 (the “SFA”).

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

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

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

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

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

## 36 Related Party Transactions

A related party is defined as follows:

- (a) A person or a close member of that person’s family is related to the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 36 Related Party Transactions (Continued)

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

### Transactions with related parties

	Group	
	2019	2018
	S\$	S\$
<i>Joint venture entities:</i>		
– Sales	–	35,694
– Purchases	<b>113,601</b>	9,766
<i>Others:</i>		
– Professional fees paid/payable to a firm in which a director has an interest	<b>12,000</b>	40,000
– Loan from a key management personnel	<b>200,000</b>	–
– Interest expenses on loan from a director and key management personnel	<b>31,726</b>	57,534

Outstanding balances with related parties at the statement of financial position date are disclosed in Note 24.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 36 Related Party Transactions (Continued)

### Key management personnel compensation

	Group		Company	
	2019 S\$	2018 S\$	2019 S\$	2018 S\$
Wages, salaries and bonuses	<b>1,298,093</b>	1,123,499	<b>594,736</b>	686,060
Defined contribution plans	<b>40,433</b>	62,354	<b>31,867</b>	36,198
	<b>1,338,526</b>	1,185,853	<b>626,603</b>	722,258

As at 30 June 2019 and 2018, there are no outstanding share awards for directors and key management personnel.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including any director (whether executive or otherwise) of the Group and of the Company.

## 37 Share Options and Share Awards

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

Magnus Energy ESOP and Magnus Energy PSP (collectively referred to as the "Share Schemes") were approved by the shareholders of the Company at the Extraordinary General Meeting ("EGM") held on 19 November 2007. The initial duration of the Share Schemes had expired on 18 November 2017.

The durations of the Share Schemes were extended, with the approval of the shareholders, for a further period of ten (10) years from and including 19 November 2017 up to (and including) 18 November 2027 in the EGM held on 31 October 2016.

The Remuneration Committee (the "RC") of the Company has been designated as the committee (the "Committee") responsible for the administration of the Share Schemes. The members of the RC are Seet Chor Hoon (Chairman), Kushairi Bin Zaidel, Ong Sing Huat and Wee Liang Hiam at the date of this financial statements.

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

- (i) Group executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and
- (ii) Non-executive directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 37 Share Options and Share Awards (Continued)

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

The Share Schemes are designed to reward and retain the non-executive directors of the Company and Group executives and whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon the expiry of the prescribed vesting periods.

For discounted share options, the exercise price of each granted share option is set at a discount to the market price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) percent of the market price. This market price is the volume-weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST. For non-discounted share options, the exercise price of each granted share option is set at market price or such higher price as may be determined by the RC in its absolute discretion.

#### Share Options

No share options were granted under the Magnus Energy ESOP during the financial years ended 30 June 2019 and 2018. As at 30 June 2019 and 2018, there were no outstanding share options. There were also no discounted share options granted since the commencement of the scheme.

#### Share Awards

During the financial year ended 30 June 2019, there were no share awards granted under the Magnus Energy PSP.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 38 Segment Information

SFRS(l) 8 *Operating Segments* requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segment and to assess its performance. The basis of the Group's presentation of segment information is consistent with that used for internal reporting purposes. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market price. No operating segments have been aggregated to form the reportable segments below.

The accounting policies of the reportable segments are the same as the Group's accounting policies disclosed in Note 3(w). Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise finance income and expenses, finance lease obligations and borrowings, and income and deferred taxes.

### (a) Business segments

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

- Oilfield equipment supply and services
- Coal mining\*
- Waste water treatment
- Renewable energy
- Investment holding

\* The Group had discontinued in the coal mining segment upon disposal of APAC Group in the previous financial year ended 30 June 2018.

The waste water treatment segment involves the sale of proprietary water treatment systems to handle Produced Water in the oil and gas industry, Effluent Treatment Plants for textile factories and other industries as well as Build-Own-Operate/Build-Operate-Transfer (BOO/BOT) waste water treatment plants for industrial effluents.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 38 Segment Information (Continued)

### (a) Business segments (Continued)

	Oilfield equipment supply and services S\$	Waste water treatment S\$	Renewable energy S\$	Investment holding S\$	Total S\$
<b>Group</b>					
2019					
<i>Segment revenue and results</i>					
External revenue	17,573,277	-	-	-	17,573,277
Loss from operations before interest, income tax and depreciation	(82,617)	25,915	(13,261,909)	(3,745,024)	(17,063,635)
Depreciation	(187,016)	-	(1,289)	(50,872)	(239,177)
Loss from operation before interest and income tax	(269,633)	25,915	(13,263,198)	(3,795,896)	(17,302,812)
Unallocated finance income					68,829
Unallocated finance costs					(63,952)
Loss before income tax					(17,297,935)
Unallocated income tax					(162,617)
Loss after income tax					(17,460,552)
<i>Segment assets and liabilities</i>					
Current assets	14,764,690	981	26,874	430,621	15,223,166
Property, plant and equipment	577,569	-	69,928	201,128	848,625
Other financial assets	-	-	-	476,707	476,707
Unallocated deferred income tax assets					7,631
Consolidated assets					16,556,129
Current liabilities	5,306,361	88,225	54,944	838,640	6,288,170
Consolidated liabilities					6,288,170
<i>Other segment information</i>					
Capital expenditure	127,837	-	92,866	-	220,703
Other non-cash items*	244,559	-	(12,976,255)	(2,135,030)	(14,866,726)

\* Other non-cash items mainly include the allowances and impairments (Note 6).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 38 Segment Information (Continued)

### (a) Business segments (Continued)

	Oilfield equipment supply and services S\$	Coal mining (discontinued) S\$	Waste water treatment S\$	Renewable energy S\$	Investment holding S\$	Total S\$
<b>Group</b>						
<u>2018</u>						
<u>Segment revenue and results</u>						
External revenue	18,941,346	–	–	–	–	18,941,346
Loss from operations before interest, income tax and depreciation	(1,238,277)	(4,597,837)	(33,047)	(117,227)	(8,913,411)	(14,899,799)
Depreciation	(214,630)	(63)	(800)	–	(59,976)	(275,469)
Loss from operation before interest and income tax	(1,452,907)	(4,597,900)	(33,847)	(117,227)	(8,973,387)	(15,175,268)
Unallocated finance income						142,965
Unallocated finance costs						(92,607)
Loss before income tax						(15,124,910)
Unallocated income tax						(203,877)
Loss after income tax						(15,328,787)
<u>Segment assets and liabilities</u>						
Current assets	13,212,578	–	16,259	25,139	4,697,624	17,951,600
Property, plant and equipment	5,506,302	–	–	12,951,104	252,000	18,709,406
Other financial assets						672,505
Unallocated deferred income tax assets						50,116
Consolidated assets						37,383,627
Current liabilities	3,992,377	–	117,810	80,000	1,380,573	5,570,760
Unallocated current and non-current liabilities:						
Finance lease obligations						4,653
Consolidated liabilities						5,575,413
<u>Other segment information</u>						
Capital expenditure	49,536	–	–	1,942,950	–	1,992,486
Other non-cash items*	(194,535)	(4,487,676)	(31,568)	–	(7,253,091)	(11,966,870)

\* Other non-cash items mainly include the allowances and impairments (Note 6) and loss on disposal of subsidiary.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 38 Segment Information (Continued)

### (b) Geographical segments

	Singapore S\$	Australia S\$	Malaysia S\$	Indonesia S\$	United States of America S\$	United Arab Emirates S\$	Thailand S\$	Saudi Arabia S\$	Others* S\$	Total S\$
<b>Group</b>										
<u>2019</u>										
Revenue	3,728,907	587,757	20,783	3,195	4,597,117	3,677,519	1,004,535	1,242,630	2,710,834	17,573,277
Non-current assets**	212,319	22,881	69,928	-	543,497	-	-	-	-	848,625
<u>2018</u>										
Revenue	2,754,770	849,204	1,559,990	963,639	3,514,424	2,965,098	1,045,791	8,824	5,279,606	18,941,346
Non-current assets**	4,283,272	1,050,892	12,951,106	-	424,136	-	-	-	-	18,709,406

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

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

Revenue is based on the location of customers regardless of where the goods are produced. Segment assets are based on the geographical location of those assets.

### (c) Information about Major Customers

Included in revenues arising from oilfield equipment supply and services are revenues of approximately S\$2,433,112 (2018: S\$1,479,000) which arose from sales to the Group's largest customer.

## 39 Financial Instruments

The Group's and the Company's activities expose it to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Board of Directors of the Company provides guidelines for overall risk management. Management of the Group reviews and agrees on policies for managing the various financial risks.

### (a) Market risk

#### Currency risk

The currency risk of the Group and the Company arises mainly from entities operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies, primarily Australian Dollar, United States Dollar and Sterling Pound, and as such are exposed to movements in foreign currency exchange rates. In addition to transactional exposures, the Group is also exposed to foreign exchange movement on its net investment in foreign subsidiaries.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Currency risk (Continued)*

The Group and the Company do not use derivative financial instruments to protect against the volatility associated with foreign currency transactions. However, management of the Group monitors the fluctuation in exchange rates closely to ensure that the exposure to the risk is kept at a minimal level.

The Group's currency exposure based on information provided by key management is as follows:

	United States Dollar S\$	Australian Dollar S\$	Singapore Dollar S\$	Sterling Pound S\$	Others S\$	Total S\$
<b>Group</b>						
30 June 2019						
<u>Financial assets</u>						
Other financial assets	-	476,667	40	-	-	476,707
Trade and other receivables (excluding prepayments, advances to suppliers and other taxes recoverable)	1,633,005	64,367	309,115	-	17,620	2,024,107
Related parties balances	-	-	-	-	209,398	209,398
Cash and bank deposits	2,185,127	330,476	819,760	8,962	9,095	3,353,420
Fixed deposits	140,405	2,076,142	1,248,910	-	-	3,465,457
	<b>3,958,537</b>	<b>2,947,652</b>	<b>2,377,825</b>	<b>8,962</b>	<b>236,113</b>	<b>9,529,089</b>
<u>Financial liabilities</u>						
Trade and other payables (excluding advances from customers)	(1,664,406)	(48,642)	(1,132,575)	-	(58,999)	(2,904,622)
Related parties balances	-	-	(113,960)	-	-	(113,960)
Amount due to non-controlling interests	-	-	(2,613,502)	-	-	(2,613,502)
	<b>(1,664,406)</b>	<b>(48,642)</b>	<b>(3,860,037)</b>	<b>-</b>	<b>(58,999)</b>	<b>(5,632,084)</b>
Currency exposure on net financial assets/ (liabilities)	<b>2,294,131</b>	<b>2,899,010</b>	<b>(1,482,212)</b>	<b>8,962</b>	<b>177,114</b>	<b>3,897,005</b>
(Assets)/Liabilities denominated in entities' functional currencies	<b>(2,200,102)</b>	<b>(3,443)</b>	<b>523,897</b>	<b>-</b>	<b>-</b>	<b>(1,679,648)</b>
Net currency exposure	<b>94,029</b>	<b>2,895,567</b>	<b>(958,315)</b>	<b>8,962</b>	<b>177,114</b>	<b>2,217,357</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Currency risk (Continued)*

	United States Dollar S\$	Australian Dollar S\$	Singapore Dollar S\$	Sterling Pound S\$	Others S\$	Total S\$
<b>Group</b>						
30 June 2018						
<u>Financial assets</u>						
Other financial assets	–	651,241	21,264	–	–	672,505
Trade and other receivables (excluding prepayments, advances to suppliers and other taxes recoverable)	2,311,290	196,194	785,866	3,048,540	16,146	6,358,036
Related parties balances	–	–	9,106	–	216,494	225,600
Cash and bank deposits	4,028,330	476,689	1,545,451	9,572	4,159	6,064,201
Fixed deposits	138,648	2,169,401	304,055	–	–	2,612,104
	<u>6,478,268</u>	<u>3,493,525</u>	<u>2,665,742</u>	<u>3,058,112</u>	<u>236,799</u>	<u>15,932,446</u>
<u>Financial liabilities</u>						
Trade and other payables (excluding advances from customers)	(1,284,949)	(550,877)	(2,275,784)	–	(106,059)	(4,217,669)
Related parties balances	–	–	(17,855)	–	–	(17,855)
Borrowings	–	–	(550,000)	–	–	(550,000)
Finance lease obligations	–	–	(4,653)	–	–	(4,653)
	<u>(1,284,949)</u>	<u>(550,877)</u>	<u>(2,848,292)</u>	<u>–</u>	<u>(106,059)</u>	<u>(4,790,177)</u>
Currency exposure on net financial assets/ (liabilities)	5,193,319	2,942,648	(182,550)	3,058,112	130,740	11,142,269
(Assets)/Liabilities denominated in entities' functional currencies	<u>(5,200,784)</u>	<u>311,302</u>	<u>460,294</u>	<u>–</u>	<u>–</u>	<u>(4,453,890)</u>
Net currency exposure	<u>(7,465)</u>	<u>3,253,950</u>	<u>277,744</u>	<u>3,058,112</u>	<u>130,740</u>	<u>6,713,081</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Currency risk (Continued)*

	United States Dollar S\$	Australian Dollar S\$	Singapore Dollar S\$	Sterling Pound S\$	Others S\$	Total S\$
<b>Group</b>						
1 July 2017						
<u>Financial assets</u>						
Other financial assets	–	16,786	21,466	–	–	38,252
Trade and other receivables (excluding prepayments, advances to suppliers and other taxes recoverable)	1,244,905	184,825	7,516,421	3,839,218	109,084	12,894,453
Related parties balances	–	–	76,691	–	205,338	282,029
Cash and bank deposits	4,246,726	495,611	650,033	9,030	8,718	5,410,118
Fixed deposits	835,905	3,389,106	303,598	–	–	4,528,609
	<u>6,327,536</u>	<u>4,086,328</u>	<u>8,568,209</u>	<u>3,848,248</u>	<u>323,140</u>	<u>23,153,461</u>
<u>Financial liabilities</u>						
Trade and other payables (excluding advances from customers)	(1,967,660)	(492,609)	(1,064,735)	–	(34,994)	(3,559,998)
Borrowings	–	–	(1,450,000)	–	–	(1,450,000)
Finance lease obligations	–	–	(13,728)	–	–	(13,728)
	<u>(1,967,660)</u>	<u>(492,609)</u>	<u>(2,528,463)</u>	<u>–</u>	<u>(34,994)</u>	<u>(5,023,726)</u>
Currency exposure on net financial assets/ (liabilities)	4,359,876	3,593,719	6,039,746	3,848,248	288,146	18,129,735
(Assets)/Liabilities denominated in entities' functional currencies	<u>(2,061,614)</u>	<u>182,780</u>	<u>(3,860,543)</u>	<u>–</u>	<u>–</u>	<u>(5,739,377)</u>
Net currency exposure	<u>2,298,262</u>	<u>3,776,499</u>	<u>2,179,203</u>	<u>3,848,248</u>	<u>288,146</u>	<u>12,390,358</u>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Currency risk (Continued)*

The Company's currency exposure based on the information provided by key management is as follows:

	United States Dollar S\$	Australian Dollar S\$	Singapore Dollar S\$	Total S\$
<b>Company</b>				
30 June 2019				
<u>Financial assets</u>				
Other financial assets	-	476,667	40	476,707
Trade and other receivables (excluding prepayments and other taxes recoverable)	-	-	199,520	199,520
Related parties balances	-	-	2,088,640	2,088,640
Cash and bank deposits	10,832	-	158,656	169,488
	<b>10,832</b>	<b>476,667</b>	<b>2,446,856</b>	<b>2,934,335</b>
<u>Financial liabilities</u>				
Trade and other payables	-	-	(833,361)	(833,361)
Borrowings	(385,448)	-	-	(385,448)
	<b>(385,448)</b>	<b>-</b>	<b>(833,361)</b>	<b>(1,218,809)</b>
Currency exposure on net financial assets	<b>(374,616)</b>	<b>476,667</b>	<b>1,613,495</b>	<b>1,715,546</b>
Assets denominated in entity's functional currency	-	-	(1,613,495)	(1,613,495)
Net currency exposure	<b>(374,616)</b>	<b>476,667</b>	<b>-</b>	<b>102,051</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Currency risk (Continued)*

	United States Dollar S\$	Australian Dollar S\$	Singapore Dollar S\$	Total S\$
<b>Company</b>				
30 June 2018				
<u>Financial assets</u>				
Other financial assets	–	637,551	40	637,591
Trade and other receivables (excluding prepayments and other taxes recoverable)	–	–	561,475	561,475
Related parties balances	374,759	–	13,338,741	13,713,500
Cash and bank deposits	16,387	–	114,283	130,670
Fixed deposits	–	–	304,055	304,055
	391,146	637,551	14,318,594	15,347,291
<u>Financial liabilities</u>				
Trade and other payables	–	–	(827,572)	(827,572)
Borrowings	–	–	(550,000)	(550,000)
	–	–	(1,377,572)	(1,377,572)
Currency exposure on net financial assets	391,146	637,551	12,941,022	13,969,719
Assets denominated in entity's functional currency	–	–	(12,941,022)	(12,941,022)
Net currency exposure	391,146	637,551	–	1,028,697
1 July 2017				
<u>Financial assets</u>				
Other financial assets	–	–	40	40
Trade and other receivables (excluding prepayments and other taxes recoverable)	–	–	5,384,914	5,384,914
Related parties balances	432,308	–	13,982,100	14,414,408
Cash and bank deposits	11,057	–	202,895	213,952
Fixed deposits	–	–	303,598	303,598
Assets classified as held for sale	–	–	730,107	730,107
	443,365	–	20,603,654	21,047,019
<u>Financial liabilities</u>				
Trade and other payables	–	(31,478)	(557,124)	(588,602)
Borrowings	–	–	(1,450,000)	(1,450,000)
Liabilities directly associated with assets held for sale	–	(217,938)	–	(217,938)
	–	(249,416)	(2,007,124)	(2,256,540)
Currency exposure on net financial assets/(liabilities)	443,365	(249,416)	18,596,530	18,790,479
Assets denominated in entity's functional currency	–	–	(18,596,530)	(18,596,530)
Net currency exposure	443,365	(249,416)	–	193,949

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Currency risk (Continued)*

If the Australian Dollar, United States Dollar and Sterling Pound strengthen/weaken against the Singapore Dollar by 5% with all other variables including tax rates being held constant, the effects arising from the net financial assets/(liabilities) position will be as follows:

	30 June 2019		30 June 2018		1 July 2017	
			Increase/(Decrease)			
	Loss before income tax S\$	Equity S\$	Loss before income tax S\$	Equity S\$	Loss before income tax S\$	Equity S\$
<b>Group</b>						
Australian Dollar against Singapore Dollar						
– strengthened	<b>(144,778)</b>	<b>144,778</b>	(162,698)	162,698	(188,825)	188,825
– weakened	<b>144,778</b>	<b>(144,778)</b>	162,698	(162,698)	188,825	(188,825)
United States Dollar against Singapore Dollar						
– strengthened	<b>(4,701)</b>	<b>4,701</b>	373	(373)	(114,913)	114,913
– weakened	<b>4,701</b>	<b>(4,701)</b>	(373)	373	114,913	(114,913)
Sterling Pound against Singapore Dollar						
– strengthened	<b>(448)</b>	<b>448</b>	(152,906)	152,906	(192,412)	192,412
– weakened	<b>448</b>	<b>(448)</b>	152,906	(152,906)	192,412	(192,412)
<b>Company</b>						
Australian Dollar against Singapore Dollar						
– strengthened	<b>(23,833)</b>	<b>23,833</b>	(31,878)	31,878	12,471	(12,471)
– weakened	<b>23,833</b>	<b>(23,833)</b>	31,878	(31,878)	(12,471)	12,471
United States Dollar against Singapore Dollar						
– strengthened	<b>18,731</b>	<b>(18,731)</b>	(19,557)	19,557	(22,168)	22,168
– weakened	<b>(18,731)</b>	<b>18,731</b>	19,557	(19,557)	22,168	(22,168)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Price risk*

The Group were exposed to equity securities market price risk from its investments which are classified in the statement of financial position as other financial assets. Certain of these financial instruments were quoted equity securities in Australia.

If prices for quoted equity securities listed in the country mentioned above increase/(decrease) by 5% with all other variables including tax rates being held constant, the Group's and the Company's loss before tax will not be materially affected as most of these quoted equity securities are classified as financial assets at FVOCI. Instead, the Group's equity will increase/(decrease) by the following amounts:

	2019 Equity S\$	2018 Equity S\$
<b>Group</b>		
Listed in Australia:		
– increased by	<b>23,835</b>	33,625
– decreased by	<b>(23,835)</b>	(33,625)
	<b>–</b>	<b>–</b>

#### *Interest rate risk*

The Group and the Company have cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group.

The Group and the Company obtain additional financing through borrowings and leasing arrangements. Information relating to the Group's and the Company's interest rate exposure is also disclosed in the notes on the Group's and the Company's borrowings (Note 30) and finance lease obligations (Note 31).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Interest rate risk (Continued)*

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

	Fixed rates		Non-interest bearing S\$	Total S\$
	Less than 1 year S\$	1 to 5 years S\$		
<b>Group</b>				
30 June 2019				
<u>Financial assets</u>				
Other financial assets	-	-	476,707	476,707
Trade and other receivables (excluding prepayments, advances to suppliers and other taxes recoverable)	-	-	2,024,107	2,024,107
Related parties balances	-	-	209,398	209,398
Cash and bank deposits	-	-	3,353,420	3,353,420
Fixed deposits	3,465,457	-	-	3,465,457
Total financial assets	3,465,457	-	6,063,632	9,529,089
<u>Financial liabilities</u>				
Trade and other payables (excluding advances from customers)	-	-	(2,904,622)	(2,904,622)
Borrowings	-	-	-	-
Related parties balances	-	-	(113,960)	(113,960)
Due to non-controlling interests	-	-	(2,613,502)	(2,613,502)
Total financial liabilities	-	-	(5,632,084)	(5,632,084)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

*Interest rate risk (Continued)*

	Fixed rates		Non-interest bearing S\$	Total S\$
	Less than 1 year S\$	1 to 5 years S\$		
<b>Group</b>				
30 June 2018				
<u>Financial assets</u>				
Other financial assets	–	–	672,505	672,505
Trade and other receivables (excluding prepayments, advances to suppliers and other taxes recoverable)	–	–	6,358,036	6,358,036
Related parties balances	–	–	225,600	225,600
Cash and bank deposits	–	–	6,064,201	6,064,201
Fixed deposits	2,612,104	–	–	2,612,104
Total financial assets	2,612,104	–	13,320,342	15,932,446
<u>Financial liabilities</u>				
Trade and other payables (excluding advances from customers)	–	–	(4,217,669)	(4,217,669)
Borrowings	(550,000)	–	–	(550,000)
Related parties balances	–	–	(17,855)	(17,855)
Finance lease obligations	(4,653)	–	–	(4,653)
Total financial liabilities	(554,653)	–	(4,235,524)	(4,790,177)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

*Interest rate risk (Continued)*

	Fixed rates		Non-interest bearing S\$	Total S\$
	Less than 1 year S\$	1 to 5 years S\$		
<b>Group</b>				
1 July 2017				
<u>Financial assets</u>				
Other financial assets	–	–	38,252	38,252
Trade and other receivables (excluding prepayments, advances to suppliers and other taxes recoverable)	5,000,000	–	7,894,453	12,894,453
Related parties balances	–	–	282,029	282,029
Cash and bank deposits	–	–	5,410,118	5,410,118
Fixed deposits	4,528,609	–	–	4,528,609
Total financial assets	9,528,609	–	13,624,852	23,153,461
<u>Financial liabilities</u>				
Trade and other payables (excluding advances from customers)	–	–	(3,559,998)	(3,559,998)
Borrowings	(1,450,000)	–	–	(1,450,000)
Finance lease obligations	(9,076)	(4,652)	–	(13,728)
Total financial liabilities	(1,459,076)	(4,652)	(3,559,998)	(5,023,726)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Interest rate risk (Continued)*

	Fixed rates		Non-interest bearing S\$	Total S\$
	Less than 1 year S\$	1 to 5 years S\$		
<b>Company</b>				
30 June 2019				
<u>Financial assets</u>				
Other financial assets	-	-	476,707	476,707
Trade and other receivables (excluding prepayments and other taxes recoverable)	-	-	199,520	199,520
Related parties balances	-	-	2,088,640	2,088,640
Cash and bank deposits	-	-	169,488	169,488
Fixed deposits	-	-	-	-
Total financial assets	-	-	2,934,355	2,934,355
<u>Financial liabilities</u>				
Trade and other payables	-	-	(833,361)	(833,361)
Borrowings	-	-	(385,448)	(385,448)
Total financial liabilities	-	-	(1,218,809)	(1,218,809)
30 June 2018				
<u>Financial assets</u>				
Other financial assets	-	-	637,591	637,591
Trade and other receivables (excluding prepayments and other taxes recoverable)	-	-	561,475	561,475
Related parties balances	-	-	13,713,500	13,713,500
Cash and bank deposits	-	-	130,670	130,670
Fixed deposits	304,055	-	-	304,055
Total financial assets	304,055	-	15,043,236	15,347,291
<u>Financial liabilities</u>				
Trade and other payables	-	-	(827,572)	(827,572)
Borrowings	(550,000)	-	-	(550,000)
Total financial liabilities	(550,000)	-	(827,572)	(1,377,572)

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (a) Market risk (Continued)

#### *Interest rate risk (Continued)*

	Fixed rates		Non-interest bearing S\$	Total S\$
	Less than 1 year S\$	1 to 5 years S\$		
1 July 2017				
<u>Financial assets</u>				
Other financial assets	–	–	40	40
Trade and other receivables (excluding prepayments)	5,000,000	–	384,914	5,384,914
Related parties balances	–	–	14,414,408	14,414,408
Cash and bank deposits	–	–	213,952	213,952
Fixed deposits	303,598	–	–	303,598
Assets classified as held for sale	–	–	730,107	730,107
Total financial assets	5,303,598	–	15,743,421	21,047,019
<u>Financial liabilities</u>				
Trade and other payables	–	–	(588,602)	(588,602)
Borrowings	(1,450,000)	–	–	(1,450,000)
Liabilities directly associated with assets classified as held for sale	(217,938)	–	–	(217,938)
Total financial liabilities	(1,667,938)	–	(588,602)	(2,256,540)

### (b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group only transacts with high credit quality counterparties as disclosed in Note 23, 24, 25 and 26, where the counterparty is considered to have low credit risk for the purpose of impairment assessment.

The Group's trade receivables consist of a large number of customers, spread across diverse geographical areas. The Group has a significant concentration of credit risk from its trade receivables as approximately 68% (2018: 48%) of the trade receivables outstanding as at the end of the financial year are owing from not more than 5 (2018: 5) customers.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (b) Credit risk (Continued)

#### Trade receivables

As disclosed in Note 3(k)(ii), the Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables. In measuring the expected credit losses, trade receivables are grouped based on their shared credit risk characteristics and numbers of days past due. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Further details on the loss allowance of the Group's and the Company's credit risk exposure in relation to trade receivables is disclosed in Note 23.

#### Other receivables

The loan receivable from third party (Note 23), amount receivable for disposal of quoted equity shares (Note 23) and amount recoverable from Joint Investment (Note 23) are measured at an amount equal to the lifetime ECL. Further details on the loss allowance in relation to other receivables is disclosed in Note 23.

Except for the ECL above, other receivables (excluding prepayments, advances to suppliers and other taxes recoverable) are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-month ECL which reflects the low credit risk of the exposures. There is no loss allowance arising from these outstanding balances as the expected credit losses are not material.

#### Cash and bank deposits, fixed deposits and other financial assets

Cash and bank deposits and fixed deposits are placed with banks and financial institutions which are regulated. Other financial assets are entered into with a third party that the Group has assessed to have the financial capacity to meet the contractual cash flows obligations in the near future.

Impairment on cash and bank deposits has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank deposits have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and bank deposits were immaterial. The Group uses a similar approach for assessment of ECLs for other financial assets.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (b) Credit risk (Continued)

#### Credit risk grading guideline

The Group's management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss (ECL)
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition (i.e. interest and/or principal repayment are more than 60 days past due)	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired (i.e. interest and/or principal repayments are more than one year past due)	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty	Asset is written off

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (b) Credit risk (Continued)

#### Credit risk exposure and significant credit risk concentration

The credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

	Internal credit rating	ECL	Gross carrying amount S\$	Loss allowance S\$	Net carrying amount S\$
<b>Group</b>					
<u>30 June 2019</u>					
Trade receivables (Note 23)	Note 1	Lifetime ECL (Simplified)	1,928,669	(142,117)	1,786,552
Loan receivable from third party (Note 23)	Non-Performing	Lifetime ECL	7,253,091	(7,253,091)	–
Amount receivable for disposal of quoted equity shares (Note 23)	Non-Performing	Lifetime ECL	2,048,230	(2,048,230)	–
Amount recoverable from Joint Investment (Note 23)	Non-Performing	Lifetime ECL	1,407,500	(1,407,500)	–
Other receivables, deposits and other interests receivables (Note 23)	Performing	12-month ECL	237,555	–	237,555

For Note 1 – The Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Note 23.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (b) Credit risk (Continued)

Credit risk exposure and significant credit risk concentration (Continued)

The credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

	Internal credit rating	ECL	Gross carrying amount S\$	Loss allowance S\$	Net carrying amount S\$
<b>Company</b>					
<u>30 June 2019</u>					
Amount recoverable from Joint Investment (Note 23)	Non-Performing	Lifetime ECL	1,407,500	(1,407,500)	–
Other receivables, deposits and other interests receivables (Note 23)	Performing	12-month ECL	199,520	–	199,520

SFRS 39 – financial assets that are neither past due nor impaired

As at 30 June 2018 and 1 July 2017, trade and other receivables that are neither past due nor impaired are with credit-worthy debtors. Cash and bank deposits and fixed deposits are placed or entered into with reputable financial institutions.

Trade receivables

The information of the past due financial assets (trade receivables) are disclosed in Note 23.

Other receivables

	Group	
	30 June 2018 S\$	1 July 2017 S\$
(a) <u>Amount recoverable from Joint Investment</u>		
Past due and impaired	1,407,500	1,407,500
Less: Allowance for impairment loss	(1,407,500)	(1,407,500)
	–	–
(b) <u>Loan receivable from third party</u>		
Past due and impaired	7,253,091	–
Less: Allowance for impairment loss	(7,253,091)	–
	–	–

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and cash equivalents and having an adequate amount of committed credit facilities to enable them to meet their normal operating obligations and commitments.

The table below analyses the maturity profile of the Group's and the Company's financial liabilities based on contractual undiscounted cash flows.

	Carrying amount S\$	Contractual cash flows S\$	Within one year S\$	Within two to five years S\$
<b>Group</b>				
<u>30 June 2019</u>				
Trade and other payables (excluding advances from customers)	2,904,622	2,904,622	2,904,622	-
Amount due to non-controlling interests	2,613,502	2,613,502	2,613,502	-
Related parties balances	113,960	113,960	113,960	-
	<b>5,632,084</b>	<b>5,632,084</b>	<b>5,632,084</b>	<b>-</b>
<u>30 June 2018</u>				
Trade and other payables (excluding advances from customers)	4,217,669	4,217,669	4,217,669	-
Borrowings	550,000	605,000	605,000	-
Related parties balances	17,855	17,855	17,855	-
Finance lease obligations	4,653	5,220	5,220	-
	<b>4,790,177</b>	<b>4,845,744</b>	<b>4,845,744</b>	<b>-</b>
<u>1 July 2017</u>				
Trade and other payables (excluding advances from customers)	3,559,998	3,559,998	3,208,896	351,102
Borrowings	1,450,000	1,515,000	1,515,000	-
Finance lease obligations	13,728	15,770	10,437	5,333
	<b>5,023,726</b>	<b>5,090,768</b>	<b>4,734,333</b>	<b>356,435</b>

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (c) Liquidity risk (Continued)

	Carrying amount S\$	Contractual cash flows S\$	Within one year S\$	Within two to five years S\$
<b>Company</b>				
<u>30 June 2019</u>				
Trade and other payables	833,361	833,361	833,361	-
Related parties balances	385,448	385,448	385,448	-
	<b>1,218,809</b>	<b>1,218,809</b>	<b>1,218,809</b>	<b>-</b>
<u>30 June 2018</u>				
Trade and other payables	827,572	827,572	827,572	-
Borrowings	550,000	605,000	605,000	-
	<b>1,377,572</b>	<b>1,432,572</b>	<b>1,432,572</b>	<b>-</b>
<u>1 July 2017</u>				
Trade and other payables	588,602	588,602	588,602	-
Borrowings	1,450,000	1,515,000	1,515,000	-
Liabilities directly associated with assets classified as held for sale	217,938	217,938	217,938	-
	<b>2,256,540</b>	<b>2,321,540</b>	<b>2,321,540</b>	<b>-</b>

### (d) Capital risk

The Group's objectives when managing capital are:

- (i) To safeguard the Group's ability to continue as a going concern; and
- (ii) To support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to maintain an optimal capital structure so as to maximise shareholders' value, taking into consideration the future capital requirements of the Group, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy. The Group's overall strategy remains unchanged from the previous financial year.

The Group monitors capital based on a net debt-to-equity ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total financial liabilities less cash and bank deposits. Total equity comprises all components of equity attributable to equity holders of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (d) Capital risk (Continued)

	30 June 2019 S\$	Group 30 June 2018 S\$	1 July 2017 S\$	30 June 2019 S\$	Company 30 June 2018 S\$	1 July 2017 S\$
Net debt	<b>2,278,664</b>	(1,274,024)	(386,392)	<b>1,049,321</b>	1,246,902	2,042,588
Total equity	<b>7,431,113</b>	24,861,877	30,755,100	<b>11,383,480</b>	27,711,174	32,549,837
Net debt to equity	<b>30.66%</b>	N.M.	N.M.	<b>9.22%</b>	4.50%	6.28%

N.M. – Not meaningful as the Group is in a net cash position as at 30 June 2018 and 2017.

The Group and the Company are not subject to any external capital requirements during the current and previous financial years.

### (e) Fair value of financial instruments

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale.

Certain of the Group's assets and liabilities are measured at fair value for financial reporting purposes. Management is responsible to determine the appropriate valuation technique and inputs for fair value measurements. Management reports to the Board of Directors of the Company every quarter to explain the cause of fluctuations in the fair value of the assets and liabilities.

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- (i) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date (Level 1);
- (ii) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 39 Financial Instruments (Continued)

### (e) Fair value of financial instruments (Continued)

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis (but fair value disclosure is required)

Management estimates that the fair value of the RCL (disclosed under other receivables in Note 23) is not materially different to its carrying amount as the RCL bear interest that approximate market interest rates.

Management estimates that the fair value of the convertible loans (disclosed under borrowings in Note 30) is not materially different to their carrying amount due to the relatively short-period of holding by the Subscriber or the short-term maturity of the convertible loans.

Management estimates that the fair value of the finance lease obligations is not materially different to the present value of payments as shown in Note 31.

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

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

The following table presents the financial assets and financial liabilities measurement at fair value as at the statement of financial position date by level of the fair value hierarchy:

	Level 1 S\$	Level 2 S\$	Level 3 S\$	Total S\$
<b>Group</b>				
<u>2019</u>				
<i>Equity investments measured at FVOCI:</i>				
– Quoted equity shares	<b>476,707</b>	–	–	<b>476,707</b>
	<b>476,707</b>	–	–	<b>476,707</b>
<u>2018</u>				
<i>Available-for-sale financial assets:</i>				
– Quoted equity shares	672,505	–	–	672,505
	672,505	–	–	672,505

The fair values of quoted equity share investments traded in active markets are based on quoted market prices as at the statement of financial position date. The quoted market prices used for the quoted equity shares and warrants held by the Group are the closing prices as at the statement of financial position date. These financial assets measured at FVOCI are classified under Level 1 in the fair value measurement hierarchy.

There were no transfers between Level 1 and 2 during the current and the previous financial years.



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

## 40 Authorisation of Financial Statements

The financial statements for the financial year ended 30 June 2019 were authorised for issue in accordance with a resolution of the directors on the date of the Directors' Statement.

# SHAREHOLDERS' INFORMATION

AS AT 20 SEPTEMBER 2019

## STATISTICS OF SHAREHOLDINGS

Number of Shares	:	12,632,507,107
Issued and fully paid-up capital	:	S\$148,781,865
Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share
Treasury Shares	:	Nil
Subsidiary Holdings	:	Nil
Percentage of Treasury Shares	:	Nil
Percentage of Subsidiary Holdings	:	Nil

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 20 SEPTEMBER 2019

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS		NO. OF SHARES	
		%		%
1 – 99	857	8.32	49,142	0.00
100 – 1,000	4,358	42.32	2,299,791	0.02
1,001 – 10,000	2,990	29.03	10,347,857	0.08
10,001 – 1,000,000	1,422	13.81	427,115,651	3.38
1,000,001 AND ABOVE	671	6.52	12,192,694,666	96.52
<b>TOTAL</b>	<b>10,298</b>	<b>100.00</b>	<b>12,632,507,107</b>	<b>100.00</b>

## SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
	No. of shares	%	No. of shares	%
Luke Ho Khee Yong	970,000,000	7.68		
Ong Chin Yew <sup>(1)</sup>	920,092,400	7.28		
Charles Madhavan <sup>(2)</sup>			695,000,000	5.50

### Notes:

- (1) Mr Ong Chin Yew holds 920,092,400 ordinary shares, of which, 279,092,400 of the shares are registered in his account with DBS Nominees Pte Ltd.
- (2) Mr Charles Madhavan's total deemed interest will be 5.50% from ordinary shares in the Company held by Blue Water Engineering Pte Ltd, Idola Cakrawala International Pte Ltd and his spouse's current shareholdings in the Company.

## SHAREHOLDINGS HELD IN HANDS OF PUBLIC

Based on information available to the Company as at 20 September 2019, approximately 76.6% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual Section B: Rules of Catalyst issued by the SGX-ST is complied with.

# SHAREHOLDERS' INFORMATION

AS AT 20 SEPTEMBER 2019

## TWENTY LARGEST SHAREHOLDERS

AS AT 20 SEPTEMBER 2019

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES	%
1	LUKE HO KHEE YONG (LUKE HE QIRONG)	970,000,000	7.68
2	MAYBANK KIM ENG SECURITIES PTE. LTD.	672,701,056	5.33
3	ONG CHIN YEW	641,000,000	5.07
4	DBS NOMINEES PTE LTD	609,837,404	4.83
5	LIM HENG HUNG	443,071,700	3.51
6	UNITED OVERSEAS BANK NOMINEES PTE LTD	307,761,052	2.44
7	YEO CHEE SENG	300,000,000	2.37
8	PHILLIP SECURITIES PTE LTD	287,653,239	2.28
9	DBS VICKERS SECURITIES (S) PTE LTD	250,239,183	1.98
10	BLUE WATER ENGINEERING PTE LTD	250,000,000	1.98
11	VALUE CAPITAL ASSET MANAGEMENT PRIVATE LIMITED	250,000,000	1.98
12	SNG LEE LENG	245,000,000	1.94
13	OCBC NOMINEES SINGAPORE PTE LTD	216,084,306	1.71
14	CHUNG SEE MOOI	200,000,000	1.58
15	HS E&T PTE LTD	200,000,000	1.58
16	IDOLA CAKRAWALA INTERNATIONAL PTE. LTD.	200,000,000	1.58
17	LIOW SEE BEE	200,000,000	1.58
18	SEET CHOR HOON	169,063,300	1.34
19	LEE CHIN CHEH	150,000,000	1.19
20	CHUA AIK SHENG (CAI YISHENG)	130,000,000	1.03
	TOTAL	6,692,411,240	52.98

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

The following additional information on Mr Kushairi Bin Zaidel, Mr Wee Liang Hiam and Mr Ong Sing Huat, all of whom are seeking re-election as Directors at the forthcoming Annual General Meeting, is to be read in conjunction with their respective profiles on pages 6, 7 and 39.

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
Date of appointment	5 November 2012	2 November 2015	1 June 2019
Date of last re-appointment	31 October 2016	31 October 2016	–
Age	61	47	56
Country of principal residence	Malaysia	Singapore	Singapore
The board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	<p>The Board of Directors of the Company has reviewed and considered the qualification, work experience and suitability of Mr. Kushairi Bin Zaidel for re-appointment as the Independent Director, Chairman of the Board and Chairman of the Nominating Committee of the Company.</p> <p>The Board has concluded that Mr. Zaidel possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>	<p>The Board of Directors of the Company has reviewed and considered the qualification, work experience and suitability of Mr. Ong Sing Huat for re-appointment as the Non-Independent and Non-Executive Director of the Company.</p> <p>The Board has concluded that Mr. Ong possesses the legal experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>	<p>The Board of Directors of the Company has reviewed and considered the qualification, work experience and suitability of Mr. Wee Liang Hiam for re-appointment as the Independent Director and Chairman of the Audit Committee of the Company.</p> <p>The Board has concluded that Mr. Wee possesses the financial experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.</p>
Whether appointment is executive, and if so, the area of responsibility	No	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
Professional qualifications	<ul style="list-style-type: none"> <li>– Bachelor of Business (Accountancy) from University of South Australia</li> <li>– Certified Public Accountant registered with CPA Australia</li> <li>– Chartered Secretary with the Institute of Chartered Secretaries &amp; Administrators (UK)</li> <li>– Member of the Malaysian Institute Chartered Secretaries &amp; Administrators</li> </ul>	Bachelor of Laws (Honours) from University of Leicester	<ul style="list-style-type: none"> <li>– Master in Business Administration (MBA) from the Nanyang Technological University</li> <li>– Bachelor of Business Administration Honours degree (BBA (Hons)) from the National University of Singapore</li> <li>– Diploma in Education (Dip. Ed.) from National University of Singapore</li> <li>– Post-graduate Diploma in Personnel Management (GDPM) from the Singapore Institute of Management</li> <li>– Advance Certificate in Training and Assessment (ACTA) from the Workforce Development Agency of Singapore</li> <li>– Fellow Chartered Accountant (FCA) Singapore</li> <li>– ASEAN Chartered Professional Accountant (ASEAN CPA)</li> <li>– Member of Singapore Institute of Management (MSIM)</li> <li>– Member of Singapore Institute of Director (MSID)</li> </ul>
Shareholding interest in its listed issuer and its subsidiaries	Direct interest: 114,372,020	Direct interest: 32,633,800	Nil

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
Other Principal Commitments* Including Directors” – past (last 5 years) and present	<p><u>Past 5 years</u></p> <p><b>2009 – 2019</b> – Kuantan Flour Mills Bhd. – Director</p> <p><u>Present</u></p> <p>Nil</p>	<p><u>Past 5 years</u></p> <p><b>2018 – 2019</b> – Shanghai Turbo Enterprises Ltd – Independent Director</p> <p><u>Present</u></p> <p><b>2011 – Current</b> – Robert Wang &amp; Woo LLP – Partner, Advocate &amp; Solicitor (Singapore)</p>	<p><u>Past 5 years</u></p> <p><b>2018 – 2019</b> – Shanghai Turbo Enterprises Ltd – Lead Independent Director</p> <p><b>2016 – 2019</b> – Olive Tree Estates Limited – Chief Financial Officer</p> <p><b>2016 – 2018</b> – TMC Education Corporation Ltd – Lead Independent Director</p> <p><b>2016 – 2017</b> – PSL Holdings Ltd – Independent Director</p> <p><b>2015 – 2016</b> – Sincap Group Limited – Lead Independent Director</p> <p><b>2009 – 2015</b> – Hu An Cable Holdings Ltd – Lead Independent Director</p> <p><u>Present</u></p> <p><b>2007 – Current</b> – GG Capital – Business Consultant</p>

\* The term “principal commitments” includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations.

Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
Working Experience and occupation (s) during the past 10 years	<p><u>Current</u></p> <p><b>2015 – Current</b> – MEG Global Resources Limited – Director</p> <p><b>2014 – Current</b> – MEG Management Sdn. Bhd. – Director</p> <p><b>2012 – Current</b> – CEG Fabrication &amp; Supplies Sdn Bhd – Director</p> <p><b>2012 – Current</b> – Borneo Sterilisation Services Sdn Bhd – Director</p> <p><b>2012 – Current</b> – Magnus Energy Group Ltd. – Independent Director</p> <p><b>2009 – Current</b> – BK Management and Services Sdn Bhd – Director</p>	<p><u>Current</u></p> <p><b>2011 – Current</b> – Robert Wang &amp; Woo LLP – Partner, Advocate &amp; Solicitor (Singapore)</p> <p><b>2015 – Current</b> – Magnus Energy Group Ltd. – Non-Independent &amp; Non-Executive Director</p> <p><u>Ceased</u></p> <p><b>2018 – 2019<sup>(1)</sup></b> – Shanghai Turbo Enterprises Ltd – Independent Director</p> <p><b>2007 – 2012</b> – Robert Wang &amp; Woo LLC – Advocate &amp; Solicitor (Singapore)</p>	<p><u>Current</u></p> <p><b>2019 – Current</b> – Magnus Energy Group Ltd. – Independent Director</p> <p><b>2007 – Current</b> – GG Capital – Business Consultant</p> <p><u>Ceased</u></p> <p><b>2018 – 2019<sup>(2)</sup></b> – Shanghai Turbo Enterprises Ltd – Lead Independent Director</p> <p><b>2016 – 2019<sup>(3)</sup></b> – Olive Tree Estates Limited – Chief Financial Officer</p> <p><b>2016 – 2018</b> – TMC Education Corporation Ltd – Lead Independent Director</p> <p><b>2016 – 2017</b> – PSL Holdings Ltd – Independent Director</p>

<sup>(1)</sup> Resigned on 30 April 2019.

<sup>(2)</sup> Resigned on 30 April 2019.

<sup>(3)</sup> Resigned 31 August 2019.

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
	<p><b>2005 – Current</b> – EPR (Kuching) Sdn Bhd – Director</p> <p><b>1998 – Current</b> – Gagasan Abadi Holdings Sdn Bhd – Director</p> <p><b>1997 – Current</b> – Mr. Laundrette Sdn Bhd – Director</p> <p><b>1996 – Current</b> – Dynaku Sdn Bhd – Director</p> <p><b>1996 – Current</b> – Bahagia Kenyalang Holdings (M) Sdn Bhd – Director</p> <p><b>1994 – Current</b> – Gagasan Abadi Properties Sdn Bhd – Director</p> <p><b>1993 – Current</b> – Warisan Kenyalang Sdn Bhd – Director</p> <p><u>Ceased</u></p> <p><b>2009 – 2019<sup>(4)</sup></b> – Kuantan Flour Mills Bhd. – Director</p>		<p><b>2015 – 2016</b> – Sincap Group Limited – Lead Independent Director</p> <p><b>2009 – 2015</b> – Hu An Cable Holdings Ltd – Lead Independent Director</p> <p><b>2009 – 2013</b> – China Farm Equipment Limited – Independent Director</p> <p><b>2009 – 2011</b> – Asia Environment Holdings Limited – Lead Independent Director</p> <p><b>2008 – 2011</b> – China Angel Food Limited – Independent Director</p>
Any relationship (including immediate family relationship) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No	No
Conflict of interest (including any competing business)	No	No	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer (Yes or No)	Yes	Yes	Yes

<sup>(4)</sup> Resigned 1 July 2019.



# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgement against him?	No	No	No

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No	No

## ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
(f) Whether at any time during the last 10 years, judgement has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
(i) Whether he has ever been the subject of any order, judgement or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-	No	No	No
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or			
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or			
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or			

# ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

	<b>Kushairi Bin Zaidel Chairman of the Board (Independent Director)</b>	<b>Ong Sing Huat Company Secretary (Non-Executive &amp; Non-Independent Director)</b>	<b>Wee Liang Hiam Chairman of the Audit Committee (Independent Director)</b>
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?			
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAGNUS ENERGY GROUP LTD. (the “**Company**”) will be held at York Hotel, Carlton Hall, Level 2, 21 Mount Elizabeth, Singapore 228516 on Wednesday, 30 October 2019 at 10:00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 30 June 2019 and the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Mr Wee Liang Hiam, a Director who is retiring in accordance with Regulation 83 of the Company’s Constitution and who, being eligible, offers himself for re-election. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulations 101(1) of the Constitution of the Company:
  - (i) Mr Ong Sing Huat [Retiring under Regulation 101(1)] **(Resolution 3)**
  - (ii) Mr Kushairi Bin Zaidel [Retiring under Regulation 101(1)] **(Resolution 4)**

Mr Ong Sing Huat shall, upon re-election as Director of the Company, remain as a member of the Remuneration and Nominating Committees. Mr Ong will be considered non-independent for the purposes of Rule 704(7) of the Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”) of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”).

Mr Kushairi Bin Zaidel shall, upon re-election as Director of the Company, remain as Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees. Mr Zaidel will be considered independent for the purposes of Rule 704(7) of the Catalist Rules of the SGX-ST.

4. To approve the payment of additional Directors’ fees of S\$11,100 for the financial year ended 30 June 2019 (previous approved amount: S\$135,175).  
[See Explanatory Note (i)] **(Resolution 5)**
5. To approve Directors’ fees of S\$166,275 for the financial year ending 30 June 2020, to be paid quarterly in arrears (2019: S\$135,175, excluding the additional Directors’ fees of S\$11,100 stated in item 4 above). **(Resolution 6)**
6. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

### 7. **Ordinary Resolution: Authority to allot and issue shares (the “Share Issue Mandate”)**

That pursuant to Section 161 of the Companies Act, Cap. 50 of Singapore (the “**Companies Act**”), the Directors of the Company be authorised and empowered to:

- (a) issue shares in the capital of the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or

# NOTICE OF ANNUAL GENERAL MEETING

- (b) make or grant offers, agreements or options that might or would require shares to be issued, including but not limited to instruments convertible into Shares and convertible securities arising from adjustments made to the number of convertible securities previously issued in respect of rights, bonus or capitalisation issues (collectively, the “**Instruments**”),

at any time during the continuance of the authority conferred by this Resolution or thereafter and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit (notwithstanding the authority conferred by this Resolution may have ceased to be in force),

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance to sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, approving the mandate after adjusting for:
- (a) new shares arising from conversion or exercise of any convertible securities;
- (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of passing this Resolution; and
- (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by SGX-ST), all applicable legal requirements under the Companies Act and otherwise, and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

**(Resolution 8)**

# NOTICE OF ANNUAL GENERAL MEETING

8. **Ordinary Resolution: Authority to issue shares under Magnus Energy Employee Share Option Plan**

That pursuant to Section 161 of the Companies Act, Cap 50, the Directors of the Company be authorised and empowered to offer and grant options under Magnus Energy Employee Share Option Plan (the “**Magnus Energy ESOP**”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Magnus Energy ESOP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Magnus Energy ESOP and the Magnus Energy Performance Share Plan (as defined below) collectively shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

**(Resolution 9)**

9. **Ordinary Resolution: Authority to issue shares under the Magnus Energy Performance Share Plan**

That pursuant to Section 161 of the Company's Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant awards pursuant to the Magnus Energy Performance Share Plan (the “**Magnus Energy PSP**”) and to allot and issue and/or transfer from time to time such number of shares as may be required to be issued pursuant to the vesting of awards under the Magnus Energy PSP, provided that the aggregate number of shares to be allotted and issued pursuant to the Magnus Energy ESOP and the Magnus Energy PSP collectively shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)]

**(Resolution 10)**

By Order of the Board

Ong Sing Huat  
Company Secretary

Singapore, 15 October 2019

Detailed information on the Directors who are proposed to be re-elected can be found under the sections entitled “Board of Directors” pages 6-7, “Directorships/principal commitments in other companies” page 39 and “Additional Information on Directors Seeking Re-election” pages 176-183 in the 2019 Annual Report of the Company



# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) In relation to Ordinary Resolution 5, directors' fees for the financial year ended 30 June 2019 were approved at the last annual general meeting held on 30 October 2018. The additional directors' fees proposed arise from fees payable to Directors for meetings and work carried out between 1 July 2018 and 30 June 2019 and additional fees for the appointment of Mr Wee Liang Hiam.
- (ii) Ordinary Resolution 8, if passed, will authorise and empower Directors of the Company, from the date of the above Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares and/or convertible securities in the Company up to an amount not exceeding in aggregate 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 50% of the total number of used shares (excluding treasury shares) in the capital of the Company at the times the resolution is passed, for such purposes as they consider would be in the interests of the Company.

For the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time when this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iii) Ordinary Resolution 9, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual general Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting whichever is earlier, to issue shares in the Company pursuant to the (i) exercise of options granted or to be granted under the Magnus Energy ESOP; or (ii) vesting of awards granted or to be granted under the Magnus Energy PSP, up to a number not exceeding in aggregation (for the entire duration of the Magnus Energy ESOP) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.
- (iv) Ordinary Resolution 10, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue shares in the Company pursuant to the (i) vesting of awards granted or to be granted under the Magnus Energy PSP; or (ii) exercise of options granted or to be granted under the Magnus Energy ESOP, up to a number not exceeding in total (for the entire duration of the Magnus Energy PSP) 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

## Notes on Annual General Meeting:

- (a) A Member (other than a relevant intermediary) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint no more than two (2) proxies to attend, speak and vote in his/her stead. Where a Member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy. A proxy need not be a Member of the Company.
- (b) Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.
- (c) "**Relevant intermediary**" has the meaning ascribed to it in Section 181(6) of the Companies Act.
- (d) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy, if no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second proxy as an alternate to the first named.
- (e) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer.

# NOTICE OF ANNUAL GENERAL MEETING

- (f) The instrument appointing a proxy must be completed and deposited at the Share Registrar & Share Transfer Office of the Company at Tricor Barbinder Share Registration Services, 80 Robinson Road, #11-02, Singapore 068898, not less than seventy-two (72) hours before the time appointed for holding the Meeting.
- (g) A Depositor shall not be regarded as a member of the Company entitled to attend and vote at the Meeting unless his name appears on the Depository Register maintained by The Central Depository (Pte) Limited not less than 72 hours before the time appointed for the Meeting.
- (h) An investor who buys shares using CPF monies (“**CPF Investor**”) and/or SRS monies (“**SRS Investor**”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CDP and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

## Personal Data Privacy:

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

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*This Notice has been reviewed by the Company’s sponsor, Stamford Corporate Services Pte Ltd (the “**Sponsor**”). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the SGX-ST assumes no responsibility for the contents of this Notice, including the correctness of any of the statements or opinions made or reports contained in this Notice.*

*The contact person for the Sponsor is Mr. Bernard Lui.  
Telephone: +65 6389 3000. Email: [bernard.lui@morganlewis.com](mailto:bernard.lui@morganlewis.com).*

# MAGNUS ENERGY GROUP LTD.

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

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

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

### PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 October 2019.

I/We, \_\_\_\_\_ NRIC/Passport No. \_\_\_\_\_

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

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

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

\*and/or (delete as appropriate)

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

or failing the person, or either or both the persons, referred to above, the Chairman of the Annual General Meeting (the "Meeting") of the Company, as my/our proxy/proxies to vote for me/us on my/our behalf on a poll, at the Meeting of the Company to be held at York Hotel, Carlton Hall, Level 2, 21 Mount Elizabeth, Singapore 228516 on Wednesday, 30 October 2019 at 10:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies may vote or abstain from voting at his/her discretion, as he/she/they may on any other matters arising at the Meeting.

(Voting will be conducted by poll. If you wish to vote all your shares "For" or "Against" the relevant resolution, please indicate with an "X" or a "✓" in the relevant box provided below. Alternatively, if you wish to vote some of your shares "For" and some of your shares "Against" the relevant resolution, please insert the relevant number of shares in the relevant boxes provided below.)

No.	Resolutions relating to:	Number of votes For*	Number of votes Against*
<b>As Ordinary Business</b>			
1.	Adoption of Audited Financial Statements, Directors' Statement and Auditors' Report of the Company for the financial year ended 30 June 2019.		
2.	Re-election of Mr Wee Liang Hiam as Director.		
3.	Re-election of Mr Ong Sing Huat as Director.		
4.	Re-election of Mr Kushairi Bin Zaidel as Director.		
5.	Approval of payment of additional Directors' fees of S\$11,100 the financial year ended 30 June 2019.		
6.	Approval of Directors' fees of S\$166,275 for the financial year ending 30 June 2020, to be paid quarterly in arrears.		
7.	Re-appointment of Moore Stephens LLP as Auditors and authority of Directors to fix their remuneration.		
<b>As Special Business</b>			
8.	Authority to allot and issue shares.		
9.	Authority to issue shares under the Magnus Energy Employee Share Option Plan.		
10.	Authority to issue shares under the Magnus Energy Performance Share Plan.		

(\*) If you wish to exercise all your votes "For" or "Against", please indicate with an "X" within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2019

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

\_\_\_\_\_  
Signature(s) of member(s)  
or, Common Seal of Corporate Shareholder



**Notes to Proxy Form:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Future Act, (Cap. 289) of Singapore), you should insert that number of shares under CDP Register. If you have shares registered in your name in the Register of Members, you should insert that number of shares under Register of Members. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the shares held by you.
2. Except for a member who is a Relevant Intermediary as defined under Section 181(6) of the Companies Act, a member of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. Where a member appoints more than one (1) proxy, the proportion of his concerned. A proxy need not be a member of the Company.
3. Where a member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named.
4. Pursuant to Section 181(1C) of the Companies Act, a member who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different shares held by such member. Where such member appoints more than two (2) proxies, the appointments shall be invalid unless the member specifies the number of shares in relation to which each proxy has been appointed.

“relevant intermediary” means:

- (a) A banking corporation licensed under the Banking Act, (Cap. 19) of Singapore, or a wholly-owned subsidiary of such banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) A person holding a capital markets services license to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) The Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36) of Singapore (the “**CPF Act**”), in respect of shares purchased under the subsidiary legislation made under the CPF Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, of the Board holds the shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.

1<sup>st</sup> fold here

Affix  
Postage  
Stamp

**MAGNUS ENERGY GROUP LTD.**

c/o Tricor Barbinder  
Share Registration Services  
80 Robinson Road  
#11-02  
Singapore 068898

2<sup>nd</sup> fold here

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the Share Registrar & Share Transfer Office of the Company at Tricor Barbinder Share Registration Services, 80 Robinson Road, #11-02, Singapore 068898, not less than seventy-two (72) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its officer or attorney duly authorised.
8. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, (Cap. 50) of Singapore.
10. An investor who buys shares using CPF monies (“**CPF Investor**”) and/or SRS monies (“**SRS Investor**”) (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CDP and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts the personal data privacy terms set out in the Notice of Annual Meeting dated 15 October 2019.

# CORPORATE INFORMATION

## Board of Directors

### **Kushairi Bin Zaidel**

(Chairman and Independent Director)

### **Seet Chor Hoon**

(Independent Director)

### **Wee Liang Hiam**

(Independent Director)

(appointment date as Independent Director: 1 June 2019)

### **Ong Sing Huat**

(Non-Executive Non-Independent Director)

### **Ong Chin Chuan**

(Independent Director)

(cessation date: 30 June 2019)

## AUDIT COMMITTEE

**Ong Chin Chuan** (Chairman) (cessation date: 30 June 2019)

**Wee Liang Hiam** (Chairman) (appointment date as chairman of AC: 1 July 2019)

**Kushairi Bin Zaidel** (Member)

**Seet Chor Hoon** (Member)

## NOMINATING COMMITTEE

**Kushairi Bin Zaidel** (Chairman)

**Seet Chor Hoon** (Member)

**Ong Chin Chuan** (Member) (cessation date: 30 June 2019)

**Ong Sing Huat** (Member)

**Wee Liang Hiam** (Member) (appointment date as member: 1 June 2019)

## REMUNERATION COMMITTEE

**Seet Chor Hoon** (Chairwoman)

**Kushairi Bin Zaidel** (Member)

**Ong Chin Chuan** (Member) (cessation date: 30 June 2019)

**Ong Sing Huat** (Member)

**Wee Liang Hiam** (Member) (appointment date as member: 1 June 2019)

## COMPANY SECRETARY

**Ong Sing Huat**

## DEPUTY COMPANY SECRETARY

Tan Yew Meng (cessation date: 17 July 2019)

## REGISTERED OFFICE

32 Loyang Crescent

Singapore 508992

Tel: 6325 1850

Fax: 6325 1851

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

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

## CONTINUING SPONSOR

Stamford Corporate Services Pte. Ltd.

10 Collyer Quay

#27-00 Ocean Financial Centre

Singapore 049315

## SHARE REGISTRAR & SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services

(A division of Tricor Singapore Pte Ltd)

80 Robinson Road

#02-00

Singapore 068898

Tel: 65-6236 3333

Fax: 65-6236 3405

## INDEPENDENT AUDITOR

Moore Stephens LLP

Public Accountants and Chartered Accountants

10 Anson Road

#29-15 International Plaza

Singapore 079903

Partner-in-charge:

Mr Neo Keng Jin

(Appointed since financial year ended 30 June 2017)

## PRINCIPAL BANKERS

United Overseas Bank Limited

80 Raffles Place

#12-00 UOB Plaza 1

Singapore 048624



**MAGNUS ENERGY GROUP LTD.**

32 Loyang Crescent  
Singapore 508992