

CIRCULAR DATED 13 OCTOBER 2014

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

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

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

This Circular has been prepared by the Company and its contents have been reviewed by the Company’s continuing sponsor, Stamford Corporate Services Pte Ltd (the “Sponsor”), for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this Circular. The contact person for the Sponsor is Mr Bernard Lui, at telephone no. (65) 6389 3000; email address bernard.lui@stamfordlaw.com.sg.

This Circular has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this document, including the correctness of any of the statements made, opinions expressed or reports contained in this Circular.



MAGNUS ENERGY GROUP LTD.

(Incorporated in the Republic of Singapore)

(Company Registration No. 198301375M)

CIRCULAR TO SHAREHOLDERS

in relation to :

- (I) THE PROPOSED DIVERSIFICATION OF BUSINESS; AND**
- (II) THE PROPOSED ISSUE OF UP TO S\$35,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF REDEEMABLE CONVERTIBLE NOTES**

Important Dates and Times

Last date and time for lodgement of Proxy Form	:	27 October 2014 at 11.30 a.m
Date and time of Extraordinary General Meeting	:	29 October 2014 at 11.30 a.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place)
Place of Extraordinary General Meeting	:	Level 2, Antica II, 1 Tanglin Road Orchard Parade Hotel Singapore 247905

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DEFINITIONS

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

“AIM”	:	Alternative Investment Market, a board of the London Stock Exchange
“Annual General Meeting” or “AGM”	:	An annual general meeting of the Company
“Arranger’s Fee”	:	Has the meaning ascribed thereto in Section 3.6 of this Circular
“APAC”	:	APAC Coal Limited
“Associate”	:	(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: <ul style="list-style-type: none">(i) his immediate family;(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a Company) means any other company which is its subsidiary or holding company or is a subsidiary or holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
“ASX”	:	Australian Securities Exchange Limited
“Board”	:	The board of Directors of the Company as at the Latest Practicable Date
“Business Day”	:	A day (other than a Saturday, Sunday or public holiday in Singapore) on which commercial banks are generally open for business in Singapore
“Catalist”	:	The Catalist Board of the SGX-ST
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular to Shareholders dated 13 October 2014
“Closing Price”	:	Means, in respect of a Share, on any particular Trading Day, the closing price of the Shares on SGX-ST for one Share on that Trading Day
“Companies Act”	:	The Companies Act (Chapter 50) of Singapore as amended, modified or supplemented from time to time
“Company”	:	Magnus Energy Group Ltd.
“Controlling Interest”	:	The interest of the Controlling Shareholder(s)

DEFINITIONS

“Controlling Shareholder”	:	A person who (a) holds directly or indirectly 15% or more of the total number of issued shares excluding treasury shares in the Company or (b) in fact exercises control over the Company
“Conversion Right”	:	Has the meaning ascribed thereto in Section 3.2 of this Circular
“Conversion Shares”	:	Has the meaning ascribed thereto in Section 3.2 of this Circular
“Diversification”	:	Has the meaning ascribed thereto in Section 1.1 of this Circular
“Director”	:	A director of the Company as at the Latest Practicable Date
“EGM”	:	The extraordinary general meeting of the Company to be convened and held on 29 October 2014 at 11.30 a.m at Level 2, Antica II, 1 Tanglin Road, Orchard Parade Hotel, Singapore 247905, the notice of which is set out on page N-1 of this Circular
“EPS”	:	Earnings per Share
“Fixed Conversion Price”	:	Has the meaning ascribed thereto in Section 3.2 of this Circular
“Floating Conversion Price”	:	Has the meaning ascribed thereto in Section 3.2 of this Circular
“FY”	:	The financial year ended or ending 30 June, as the case may be
“Group”	:	The Company and its subsidiaries
“Investment Business”	:	Means the business of investing in quoted securities to be undertaken by the Company as set out in Section 2.1(b)
“Listing Manual”	:	Listing Manual Section B: Rules of Catalist of the SGX-ST, as may be amended, varied or supplemented from time to time
“Market Day”	:	A day on which the SGX-ST is open for trading of securities
“Mineral and Energy Business”	:	Means the mineral and energy business to be undertaken by the Company as set out in Section 2.1(a)
“New Businesses”	:	Has the meaning ascribed thereto in Section 2.1 of this Circular
“Notes”	:	The S\$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 comprising two initial tranches of a principal amount of S\$10,000,000 each and a final tranche of a principal amount of S\$15,000,000
“Notes Issue”	:	The proposed issuance of the Notes
“Note Issue Price”	:	100.0 per cent. of the aggregate principal amount of the Notes
“Notice of EGM”	:	The notice of the EGM which is set out on page N-1 of this Circular
“NTA”	:	Net tangible assets
“Option”	:	Has the meaning ascribed thereto in Section 3.4.2 of this Circular
“Option Period”	:	Has the meaning ascribed thereto in Section 3.4.2 of this Circular

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“Ordinary Resolution”	:	The ordinary resolution set out in this Circular and in the Notice of EGM
“Redemption Amount”	:	Has the meaning ascribed thereto in Section 3.2 of this Circular
“Redeemable Conversion Note(s)”	:	Has the meaning ascribed thereto in Section 3.2 of this Circular
“Redemption Notice”	:	Has the meaning ascribed thereto in Section 3.2 of this Circular
“Rule”	:	A rule of the Listing Manual
“SFA”	:	Securities and Futures Act (Cap. 289) of Singapore, as amended, modified or supplemented from time to time
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Share”	:	An ordinary share in the capital of the Company
“Shareholders”	:	Registered holders of Shares, except where the registered holder is CDP, in which case the term “Shareholders” shall in relation to such Shares mean the Depositors whose securities accounts maintained with CDP are credited with Shares
“Sponsor”	:	The continuing sponsor of the Company, Stamford Corporate Services Pte Ltd
“Subscriber”	:	Premier Equity Fund
“Subscription Agreement”	:	The subscription agreement dated 3 September 2014 entered into between the Subscriber and VCAM pursuant to which the Company proposes to undertake the Notes Issue
“Substantial Shareholder”	:	Shareholders who are beneficial owners of 5% or more of the Shares
“Terms and Conditions”	:	The terms and conditions of the Notes
“Trading Day”	:	A market day on which the Shares are traded on the SGX-ST
“Tranche 1 Conversion Date”	:	Has the meaning ascribed thereto in Section 3.4.1 of this Circular
“Tranche 1 Notes”	:	Has the meaning ascribed thereto in Section 1.1 of this Circular
“Tranche 2 Conversion Date”	:	Has the meaning ascribed thereto in Section 3.4.2 of this Circular
“Tranche 2 Notes”	:	Has the meaning ascribed thereto in Section 1.1 of this Circular
“Tranche 3 Notes”	:	Has the meaning ascribed thereto in Section 1.1 of this Circular
“VCAM”	:	Value Capital Asset Management Private Limited
“VWAP”	:	the volume weighted average price of the Shares
“%”	:	Per centum or percentage

DEFINITIONS

“S\$” and “cents” : Singapore dollars and cents, respectively

“US\$” and “cents” : United States dollars and cents, respectively

The terms **“Depositor”**, **“Depository Agent”** and **“Depository Register”** shall have the respective meanings ascribed to them in Section 130A of the Companies Act.

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

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Listing Manual or any modification thereof and used in this Circular shall have the meaning assigned to it under the Companies Act, the Listing Manual or any modification thereof, as the case may be.

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

LETTER TO SHAREHOLDERS

MAGNUS ENERGY GROUP LTD.

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

Directors:

Mr Kushairi Bin Zaidel (Chairman and Independent Non-Executive Director)
Ms Seet Chor Hoon (Independent Non-Executive Director)
Mr Goh Boon Kok (Independent Non-Executive Director)

Registered Office:

400 Orchard Road, #19-06
Orchard Towers,
Singapore 238875

13 October 2014

To: The Shareholders of the Company

Dear Sir / Madam

(I) THE PROPOSED DIVERSIFICATION OF BUSINESS; AND**(II) THE PROPOSED ISSUE OF UP TO S\$35,000,000 IN AGGREGATE PRINCIPAL AMOUNT OF REDEEMABLE CONVERTIBLE NOTES.**

1. INTRODUCTION**1.1 Background**

Incorporated in 1983, the Company was a mechanical and engineering company then named Strike Engineering Ltd. The Company acquired Mid-Continent Equipment Group Pte Ltd and its subsidiaries in its first venture into the oil and gas sector and changed its name to "Magnus Energy Group Ltd." in 2004.

The Company then ventured into the coal mining sector and successfully listed its coal operations under APAC on the ASX. In August 2013, Magnus has taken a further step into coal mining by taking a minority stake in GCM Resources plc, a company listed on AIM.

The Company was previously involved in crude oil production in Northern China, which ceased in 2011. The Group currently has an ownership interest in a coal concession in Indonesia through its subsidiaries. Further, the Group has a participating interest in a gas field in South Australia that is currently in the exploration stage through its interest in its subsidiary, Mid-Continent Equipment Group Pte Ltd.

The Group believes that it needs to continue seizing attractive investment opportunities as and when they arise in order to stay competitive, while managing its exposure to risk effectively, in order to enhance value for its Shareholders. As such, the Group intends to diversify its business scope to (i) enter the energy business and transform itself into an energy related company; and (ii) invest in quoted securities to manage its cash resources and investment risk (the "**Diversification**").

In order to provide some of the funds required to implement the Diversification, the Company entered into a subscription agreement on 3 September 2014 (the "**Subscription Agreement**") with Premier Equity Fund (the "**Subscriber**") and Value Capital Asset Management Private Limited ("**VCAM**") pursuant to which the Company proposes to issue up to S\$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 comprising two initial tranches of a principal amount of S\$10,000,000 each and a final tranche of a principal amount

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of S\$15,000,000 (the “**Notes Issue**”, collectively, the convertible notes shall be referred to as the “**Notes**” and individually, the two initial tranches of the Notes shall be referred to as “**Tranche 1 Notes**” and “**Tranche 2 Notes**” respectively, while the final tranche of the Notes shall be referred to as “**Tranche 3 Notes**”).

1.2 Extraordinary General Meeting

The Board is proposing to convene the EGM to seek Shareholders’ approval in respect of the Diversification and the Notes Issue.

1.3 Purpose of this Circular

The purpose of this Circular is to provide Shareholders with information relating to, and the rationale for, the Diversification and the Notes Issue, and to seek Shareholders’ approval for the same at the EGM to be held on 29 October 2014 at 11.30 a.m. at Level 2, Antica II, 1 Tanglin Road, Orchard Parade Hotel, Singapore 247905.

This Circular has been prepared solely for the purposes set out herein and may not be relied upon by any persons (other than Shareholders to whom this Circular is dispatched to) or for any other purpose.

2. THE PROPOSED DIVERSIFICATION INTO THE NEW BUSINESSES

2.1 The New Businesses

The Group intends to diversify its business scope to include the following business activities (the “**New Businesses**”):

(a) Mineral and Energy Business

The Company believes that the mineral and energy sector is and will continue to be an attractive and robust business sector globally. Global demand for minerals and energy are expected to increase in tandem with the rising global population and economic advancement in developing economies.

The Company has been involved in businesses related to the energy sector since 2004 through its interest in Mid-Continent Equipment Group Pte Ltd, which provide engineering and oilfield services as well as rig related supplies to the energy sector. The Company intends to continue expanding its interests in the energy sector and transform itself into a global energy related company by undertaking investments in businesses and assets related to the energy industry. This will include companies and businesses in the energy sector involved in the production of energy, green energy technology, resource ownership, resource extraction and processing, provision of services to energy companies and businesses and other activities related to the energy sector.

The growing global population and economic advancement, particularly in the developing world where the process of industrialisation and urbanisation is expected to accelerate, is likely to result in increasing consumption of raw materials for housing and consumer goods, such as cars and electronics. The Company expects that this demand will translate into a robust market for minerals such as iron, titanium and other metals.

The Company intends to venture into and participate in the minerals and energy sector by investing in energy related business or by entering joint ventures or partnerships with parties with expertise or assets in the sector. The Group may take controlling or non-controlling interests in such businesses where compelling opportunities arise. The Company may participate directly in the operations of its investee companies where it feels it can add value and expertise, but will generally look towards investing in companies with proven management. The Company does not intend to restrict its minerals and energy business to any geographical area or any type of mineral or energy resource.

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For the avoidance of doubt, the Group will continue to comply with the provisions of Chapter 10 of the Listing Manual in the event it undertakes any acquisition, joint venture, investment or other transaction within the energy sector.

(b) Investment Business

To manage its cash resources and exposure to the risks inherent in investing in the energy sector, the Company intends to deploy its available cash resources towards making investments in quoted securities. The Company believes that prudent investments in quoted securities can be a more effective utilisation of its cash resources in view of the low interest rates for cash deposits in the current economic climate. Investing in quoted securities of established listed companies may also offer the Company a more balanced investment portfolio as an alternative to investments in younger private energy related companies and businesses.

To mitigate the risks that arise with investments in securities, the Company will adhere to its risk and investment policies and procedures.

2.2 Prospects

The Company is of the view that the long term outlook and prospects for the energy sector is positive, as increasing population, urbanisation and consumption globally results in an increasing demand for energy.

2.3 Management

The Company does not see an immediate need to engage personnel with direct expertise or experience in the energy sector, as the Company plans to invest in energy related businesses with proven management teams in place. The Company will however take steps to engage qualified management personnel and employees with relevant experience and expertise in the energy sector if the need arises or if the Company integrates the operations of its investee companies with its own. The Company will also seek external advisors and consultants to assist with making informed decisions relating to the mineral and energy business. Where necessary, the Company also plans to tap on the experience of its independent non-executive chairman, Mr Kushairi Bin Zaidel, who previously occupied a senior management position in an energy company based in Malaysia.

2.4 Compliance with Mineral, Oil and Gas Rules

Under Practice Note 4C of the Listing Manual, where the mineral, oil and gas activity of the Group, based on the Company's latest audited consolidated financial statements: (i) represents 50% or more of the total assets, revenue or operating expenses of the Group; or (ii) is the single largest contributor based on any of the tests in (i), the Company may be considered to be principally in the business of exploration for or extraction of mineral, oil or gas assets. The Company will announce when any of the above situations occurs, and will thereafter comply with all the continuing listing rules in the Listing Manual applicable to mineral, oil and gas companies.

2.5 Rationale

The Group believes that it needs to continue seizing attractive investment opportunities as and when they arise in order to stay competitive, while managing its exposure to risk effectively, in order to enhance value for its Shareholders.

Given the Company's exposure to the oil and gas services industry through Mid-Continent Pte Ltd and the mining industry through investments in APAC and GCM Resources plc, the Company believes that expanding into the wider mineral and energy sector is a natural step for the Company to undertake. The Company also believes that the mineral and energy business will continue to be an attractive and robust business sector in the long term with global demand for raw materials and energy expected to increase.

LETTER TO SHAREHOLDERS

To manage its cash resources and exposure to the risks inherent in investing in the energy sector, the Company intends to deploy its available cash resources towards making investments in quoted securities, which the Company believes can be a more effective utilisation of its cash resources, while offering a more balanced investment portfolio as an alternative to investments in younger private energy related companies and businesses.

2.6 Risk Factors

The Board believes that the Diversification and the expansion of the Group's business activities may change the risk profile of the Company.

Any of the risks described below could materially and adversely affect the Company's ability to comply with its obligations, including those under the Listing Manual, and have a material adverse effect on the Group's business, financial condition, operations and prospects. In that event, the market price of the Shares could decline, and Shareholders may lose all or part of their investments in the Shares. The risks and uncertainties described below are not intended to be exhaustive and are not the only risks and uncertainties that the Group may face. The Group could be affected by a number of risks which relate to the industries and countries in which the Group intends to operate as well as those which may generally arise from, *inter alia*, economic, business, market and political factors, including the risks set out herein. Additional risks and uncertainties not presently known to the Company or the Group or that the Company or the Group currently deems immaterial may also impair the Company's or the Group's business, financial condition, operations and prospects. The risks discussed below also include forward-looking statements and the Company's and the Group's actual results may differ substantially from those discussed in these forward-looking statements.

Subheadings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.

2.6.1 Risks Relating to the New Businesses

Risks relating to the Mineral and Energy Business

(a) Inherent risks

Identifying mineral and energy resources projects/entities/companies that will become successful is difficult and the success of the projects/entities/companies will be subject to many factors over which the Group may have limited or no control.

Notwithstanding the amount of due diligence that may be carried out by the Group, a project/entity/company may nevertheless fail for a variety of reasons. Over the period of investment, projects/entities/companies will be subject to changes in the economic climate, technology and competition and to potential management inefficiencies.

Moreover, the projects undertaken or the shares of entities/companies acquired by the Group could be adversely affected by changes in the general economic climate or economic factors affecting a particular industry, changes in tax laws or specific developments within such companies.

In addition, such projects or companies may be engaged in highly competitive industries and in some cases, those dominated by others with substantially greater financing and technical resources than the investee companies.

The performance of the Group is dependent on the Group's ability to make the right decisions and to undertake projects or invest in investee entities/companies which are able to provide the Group with satisfactory returns within acceptable timeframes. However, as all business and investment decisions are a matter of subjective judgment, there is no assurance that the Group will be able to make the right decisions in a timely manner all or most of the time.

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(b) The New Business is dependent on the oil and gas industry

The New Business will be largely dependent on the oil and gas industry, in particular the level of activities in the exploration, development and production of oil and gas. Such activities are affected by factors such as fluctuations in oil and gas prices and by other general economic factors, as well as by the industry's view of future economic growth and the resulting impact on demand for oil and gas and the expectations of potential customers in respect of changes in oil and gas prices and the related changes in their capital spending.

The prices of oil and gas are volatile and affected by supply and demand. They in turn will affect the level of capital spending by companies in the oil and gas industry. Low oil and gas prices tend to reduce the amount of oil and gas that producers can produce economically. When this occurs, major oil and gas companies generally reduce their spending budgets for drilling, exploration and development. Any decline in the level of activities in the oil and gas industry may result in a decrease in demand for the New Business.

The above are factors beyond the control of the Group. As a result, the timing, nature and degree of changes in industry conditions are unpredictable. In addition, there can be no assurance that the Group will be able to obtain the financing necessary in time to develop relevant opportunities for the New Business that may arise. There can be no assurance that the levels of exploration, development and production activities of the oil and gas industry will remain at their current levels or continue to increase. Any prolonged period of low exploration, development and production activity or decrease in demand for oil and gas would be likely to have an adverse effect on the Group's business, financial performance, financial condition and operating cash flow.

(c) The Group has a limited track record in the New Businesses and the New Businesses may not be viable or successful

The Group has a limited track record in some sectors in the mineral and energy and investment business. However, this does not guarantee that the New Businesses may not be commercially viable or successful. Unsuccessful attempts to undertake the New Businesses may have an adverse effect on the Group's business, financial condition and results of operations.

(d) Current management may not have the expertise to ensure success

As some areas of the New Businesses will be new areas of business to the Group, the Group will face the usual risks, uncertainties and problems associated with the entry into any new business which it has no prior track record in. These risks, uncertainties and problems include, among other things, inability to find the right joint venture, strategic or other business partnerships, inability to manage expanding operations and costs, failure to provide the results, level of revenue and margins the Group is expecting and failure to identify, attract, retain and motivate qualified personnel.

In addition, the Group's current management may not have the relevant expertise to ensure success in these areas. There is no assurance that the Group will be able to attract and/or retain the right personnel for management of the New Businesses. The Group may also face difficulties in recruiting skilled and qualified personnel in the New Businesses. If the Group is unable to attract and retain a sufficient number of suitably skilled and qualified personnel, the Group's business, results of operations and financial conditions being materially adversely affected.

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(e) Future acquisitions, joint ventures or other arrangements may expose the Group to increased business and operating risks

The Group may, as a matter of business strategy, invest in or acquire other entities engaged in the New Businesses, or enter into joint ventures or other investment structures in connection with the New Businesses. Acquisitions that the Group may make, along with potential joint ventures and other investments, may expose the Group to additional business and operating risks and uncertainties, including:

- direct and indirect costs in connection with the transaction;
- the inability to effectively integrate and manage acquired business;
- the inability or unwillingness of joint venture partners to fulfil their obligations under the relevant joint venture agreements;
- the inability of the Group to exert control over strategic decisions made by these companies;
- time and resources expended to coordinate internal systems, controls, procedures and policies;
- disruption in ongoing business and the diversion of management's time and attention from other business concerns;
- the risk of entering markets in which the Group may have no or limited prior experience;
- the potential loss of key employees and customers of the acquired businesses;
- the risk that an investment or acquisition may reduce the Group's future earnings; and
- exposure to unknown liabilities.

If the Group is unable to successfully implement the Group's acquisition or expansion strategy or address the risks associated with acquisitions or expansions, or if the Group encounters unforeseen expenses, difficulties, complications or delays frequently encountered in connection with the integration of acquired entities and the expansion of operations, the Group's growth and ability to compete may be impaired, the Group may fail to achieve acquisition synergies and the Group may be required to focus resources on integration of operations rather than on the Group's primary business.

Should these risks materialise, the Group's business, financial performance, financial condition and operating cash flow may be adversely affected.

(f) Exploration, development and production risks

Resource estimates are based on calculations and expressions of judgment based on knowledge, experience and industry practice, and on data collected in an ordered, methodical basis under the supervision of a "competent person". The Group currently intends to apply industry best practices in accordance with acceptable standards such as NI 43-101 and/or the JORC Code, which is accepted by the SGX-ST. The JORC Code and NI 43-101 give investors and shareholders some comfort of different classifications for increased confidence in the estimates. Nonetheless, estimates valid when originally calculated may alter when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available

LETTER TO SHAREHOLDERS

through additional fieldwork, data collection and analysis, the estimates may change. This may result in alterations to development and mining plans which may in turn affect the Group's performance.

Furthermore, exploration, exploitation and high risk development and production is inherently difficult and a speculative activity, and success in ascertaining economic recoverable resources can never be guaranteed (and may be subject to factors over which the Group has little or no control). Substantial expenditures are also required in order to establish reserves through drilling, to develop the mining, production, gathering or processing facilities and infrastructure at any site chosen for mining and to determine if a property contains commercial quantities of minerals. Until the Group is able to realise value from its projects and interests, it may incur ongoing operating and financial losses.

Also, exploration, exploitation, development and production activities can be affected by uncontrollable factors such as inclement weather, industrial action, environmental issues, project delays, unforeseen increases in costs and technical difficulties not anticipated in the Group's business plans. The development of the Group's current or future investment into the mineral and energy resources sector may require obtaining approvals and additional expenditure if economic mineral deposits are discovered. However, the Group may not be able to raise additional capital or to find suitable joint venture partners which would negatively impact the Group's performance

There can be no assurance that exploration of the project areas described in this Circular, or any other interests or tenements that may be acquired in the future, will result in the discovery of an economic ore deposit of commercial quantity. Even if an apparently viable deposit is confirmed, there is no certainty that it can be commercially developed.

(g) Dilutive effect on the Company's Shares

The Group may make future acquisitions or enter into financings or other transactions involving the issuance of securities of the Company which may have a dilutive effect on the Company's Shares.

(h) Uncertainties on securing additional funding for business development

The Group's growth strategy to undertake the New Businesses is capital intensive and may require substantial funding. The ability of the Group to arrange financing and the cost of such financing are dependent on global economic conditions, capital and debt market conditions, lending policies of the government and banks, and other factors. The Group's business may not be able to generate sufficient cash flows to fund investment and/or expansion opportunities. Unless the Group can do so through internal sources, it will be required to finance the cash needs through public or private equity offerings, bank loans and/or other debt financing. There can be no assurance that international or domestic financing for the New Businesses will be available on terms favourable to the Group or at all. The Group may have to delay, adjust, reduce or abandon its planned growth strategies. In such an event, its business performance may be adversely affected.

(i) Title and tenure risks

The Group may acquire an interest in mining rights which are governed by laws and regulations covering the grant and administration of permits, leases and licenses. Each permit, lease or licence is for a specific term and carries with it annual expenditure, reporting, compliance or compulsory reduction conditions. Consequently, the Group may lose title to an interest if the relevant permit, lease or licence conditions are not met or if insufficient funds are unavailable to meet expenditure requirements. If a mining right, permit, lease or licence is not renewed, the Group may suffer significant damage through loss of opportunity to discover and develop a material project within the relevant area granted. Permits, leases and licences are subject to administrative procedures for application, renewal or conversion into a different type of title and the Group has no control over such administrative procedures.

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(j) Risk of competing claims

The properties in which the Group may acquire an interest may consist of recorded interests that have not been legally surveyed and therefore, the precise boundaries and locations of such interests may be in doubt and may be challenged. A mineral and energy resources property may also be subject to prior unregistered agreements or transfers or native land claims, and the Company's title may be affected by these and other undetected defects.

(k) Market risks

The marketability of natural resources discovered by a resource issuer (being commodities) will also be affected by numerous factors. The price of commodities, which may fluctuate, is affected by numerous factors beyond the Group's control, which include expectations of the rate of inflation, the relative exchange rate of US\$ with other major currencies, global and regional economic activity, speculative trading, demand for the commodity, supply of the commodity from production, disinvestment, scrap and hedging, level of sales by producers in forward transactions and other hedging, the production and cost levels for the commodity in major producing nations, the cost level (in local currencies) for commodities in major consuming nations and technology advancements. Fluctuations in commodity prices may adversely affect the market value of the Group's interests (including inventory), financial performance or results of operations and the inherent value of the Shares. Further, if the market price of commodities in sectors in which the Group operates falls, profitability and cash flow will suffer and the Group may experience losses, asset write-downs and may curtail or suspend some or all of its exploration, development and mining activities. Furthermore, sustained low commodity prices can reduce revenues further by production cutbacks due to the cessation of the mining of deposits or portions of deposits that have become uneconomic at the then-prevailing commodity price, halt or delay the development of new projects, reduce funds available for exploration, with the result that depleted reserves are not replaced, reduce the existing mineral reserves where they cannot be economically mined or treated at prevailing prices and result in the recording of a write-down of mining interests due to the determination that future cash flows do not recover the carrying value.

(l) Inadequate insurance coverage to cover all liabilities

The Group's involvement in the New Businesses may result in the Group becoming subject to liability for pollution, blowouts, property damage, personal injury or other hazards. Although the Group intends to obtain insurance in accordance with industry standards to address such risks, such insurance has limitations on liability that may not be sufficient to cover the full extent of such liabilities. In addition, such risks may not in all circumstances be insurable or, in certain circumstances, the Group may elect not to obtain insurance to deal with specific risks due to the high premiums associated with such insurance or other reasons. The payment of such uninsured liabilities would reduce the funds available to the Group. The occurrence of a significant event that the Group is not fully insured against, or the insolvency of the insurer, could have a material adverse effect on the Group's financial position, results of operations or prospects.

(m) Integration risks

The addition of the Mineral and Energy Business through acquisitions, mergers, and other corporate transactions, may place significant demands on the Group's risk management and operational infrastructure and result in increased expenses.

With respect to acquisitions, the Group may become subject to unknown liabilities of an acquired business, may not achieve the targeted results, or may otherwise incur losses. The Group may lose market share or customers, or may face disruptions to operations and the Group's management time may be diverted to facilitate the integration of acquired businesses with the other business of the Company.

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Activities to expand its operations may also bring the Group into contact, directly or indirectly, with individuals and entities that are new clients and other new products or new markets. These business activities expose the Group to new and enhanced risks including reputation risks arising from dealing with a range of new counterparties, along with these activities being exposed to the range of risks described in this Circular. If these risks eventuate, they may have a negative impact on the Group's results, financial conditions or operations.

(n) Control risks

The returns on the Group's Mineral and Energy Business are dependent upon the financial performance of its mineral and energy resources projects/entities/companies. However, as the Group may not take majority positions in the projects/entities/companies nor seek board representation, it is fully reliant on the project/entity/company's management for much of the project/entity/company's financial performance.

(o) Health, safety, operational and environmental hazards

The Company may invest in or acquire companies involved in extracting and processing natural resources. The operation of such extraction and processing activities carry an inherent risk of liability related to worker health and safety and the environment, including the risk of government imposed orders to remedy unsafe conditions and/or to remediate or otherwise address environmental contamination, potential penalties for contravention of health, safety and environmental laws, licenses, permits and other approvals, and potential civil liability. Environmental legislation may also provide for, among other things, restrictions and prohibitions on spills, releases or emissions of various substances produced in association with oil and gas operations. Legislation may also require that wells and facility sites be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Furthermore, environmental legislation is evolving in a manner expected to result in stricter standards and enforcement, larger fines and liability and potentially increased capital expenditures and operating costs. The discharge of pollutants into the air, soil or water may give rise to liabilities to governments and third parties and may require the Group to incur costs to remedy such discharge.

Compliance with health, safety and environmental laws (and any future changes of such laws) and the requirements of licenses, permits and other approvals will remain material to the Energy Business. The Group will incur significant capital and operating expenditures to comply with health, safety and environmental laws and to obtain and comply with licenses, permits and other approvals and to assess and manage its potential liability exposure. In addition, the Group may be subject to government orders, investigations, inquiries or other proceedings (including civil claims) relating to health, safety and environmental matters.

The occurrence of any of these events or any changes, additions to or more rigorous enforcement of, health, safety and environmental laws, licenses, permits or other approvals could have a significant impact on operations and/or result in additional material expenditures. As a consequence, no assurances can be given that additional environmental and workers' health and safety issues relating to presently known or unknown matters will not require unanticipated expenditures, or result in fines, penalties or other consequences (including changes to operations) material to the Group's business and operations.

(p) Changes in tax regulations

The Group's operations in the Energy Business will be subject to taxation in the countries which the Group may operate in. The amount of tax the Group pays could increase substantially as a result of changes in or new interpretations of tax laws in these countries, which could have a material adverse effect on the Group's liquidity and results of operations.

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During periods of high profitability, there may be calls for increased or windfall taxes on the revenue of energy resources. Taxes may increase or be imposed consequently. In addition, taxing authorities could review and question the Group's tax returns leading to additional taxes and penalties which could be material.

(q) Exchange rate risks

The Group may be subject to risks arising from foreign exchange fluctuations in relation to the Proposed Additional Core Business. The Group's revenue is denominated in Singapore Dollars while its revenue and operating costs for the Proposed Additional Core Business could be denominated in the currencies of the jurisdictions where it operates in future. Any unfavourable fluctuations in currency exchange rates will result in exchange losses arising from transactions carried out in foreign currencies and translations of foreign currency monetary assets and liabilities as at the end of the relevant reporting periods. If the exchange losses are substantial, it could have a negative impact on the Group's financial performance and financial condition.

(r) Risk of unforeseen additional capital expenditure

Given that the state of environmental technology and the compliance standards applicable to the mineral and energy resources industry, and consequently, the cost of complying with such standards, are constantly changing, the Group is not able to predict with certainty the total expected capital expenditure for each of its current and future investments in the mineral and energy resources industry. Furthermore, in the event that the Group is only a minority investor in these mineral and energy resources projects/entities/companies, it will only have access to publicly available information which is generally an insufficient basis on which such predictions can be made. Additionally, any unforeseen circumstances which may cause interruptions in the exploration, exploitation and production activities of the Group may require large capital expenditures to remedy the situation and this could affect the profitability of these investments and consequently, the business and performance of the Group.

(s) Fluctuations in interest rates and refinancing risks

Interest rate fluctuations are of particular concern to a capital-intensive industry such as that of the Energy Business and Investment Business. The Group faces interest rate and debt refinancing risk in respect of floating-rate bank credit facilities and long-term financings. The Group's ability to refinance debt on favourable terms is dependent on debt capital market conditions, which are inherently variable and difficult to predict.

(t) The Group's ability to borrow in the bank or capital markets may be adversely affected by a financial crisis

The Group's ability to borrow from banks or the capital markets to meet its financial requirements is dependent on favourable market conditions. Financial crises in particular geographic regions, industries or economic sectors for example, the United States sub-prime mortgage crisis and the sovereign debt crisis in Europe and the United States, have, in the recent past, led and could in the future lead to sharp declines in the currencies, stock markets and other asset prices in those geographic regions, industries or economic sectors, in turn threatening affected companies, financial systems and economies.

(u) Competition from major oil and gas players

The Group may face competition from existing as well as other new entrants to the Energy Business. Some of these competitors may have greater financial and other resources, operating histories or may be better entrenched in the markets they operate in. There is no assurance that the Group will be able to compete successfully with these competitors and new entrants. In the event the Group is unable to compete effectively or respond with appropriate measures, the Group's business, financial performance, financial condition and cash flow may be adversely affected.

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(v) Risk of non-compliance with governmental and regulatory requirements

Given the global nature of the energy sector, the Company foresees that it may invest in energy related businesses located in various countries around the world. Notwithstanding the adoption of any measures that are put in place by the Group, there is no assurance that the Group will be able to meet all the regulatory requirements and guidelines, or comply with all the applicable regulations at all times, or that it will not be subject to sanctions, fines or other penalties in the future as a result of non-compliance. If sanctions, fines and other penalties are imposed on the Group for failing to comply with applicable requirements, guidelines or regulations, its business, reputation, financial condition and results of operations may be materially and adversely affected.

(w) Uncertainty in the interpretation and application of laws and regulations

The courts in the jurisdictions in which the Group may operate its Energy Business may offer less certainty as to the judicial outcome or a more protracted judicial process than is the case in more established economies. Businesses can become involved in lengthy court cases over simple issues when rulings are not clearly defined, and the poor drafting of laws and excessive delays in the legal process for resolving issues or disputes compound such problems.

Accordingly, the Group could face risks such as: (i) effective legal redress in the courts of such jurisdictions being more difficult to obtain, whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a higher degree of discretion on the part of governmental authorities and therefore less certainty; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or (v) relative inexperience or unpredictability of the judiciary and courts in such matters.

Enforcement of laws in these jurisdictions may depend on and be subject to the interpretation placed upon such laws by the relevant local authority, and such authority may adopt an interpretation of an aspect of local law which is unpredictable. Furthermore, there could be limited or no relevant case law providing guidance on how courts would interpret such laws and the application of such laws to the Group's contracts, joint operations, licenses, license applications or other arrangements.

There can be no assurance that an unfavourable interpretation or application of the laws will not adversely affect the Group's contracts, joint operations, licenses, license applications or other legal arrangements. In certain jurisdictions, the commitment of local businesses, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be less certain and more susceptible to revision or cancellation, and legal redress may be uncertain or delayed. If the existing body of laws and regulations in the countries in which the Group operates are interpreted or applied, or relevant discretions exercised, in an inconsistent manner by the courts or applicable regulatory bodies, this could result in ambiguities, inconsistencies and anomalies in the enforcement of such laws and regulations, which in turn could hinder the Group's long-term planning efforts and may create uncertainties in the Group's operating environment.

(x) Political, economic, fiscal, legal, regulatory and social uncertainties

The Group's operations in the Mineral and Energy Business are exposed to the political, economic, fiscal, legal, regulatory and social environment of the countries in which the Group operates. The Group's business involves a high degree of risk, which a combination of experience, knowledge and careful evaluation may not overcome. These risks include, but are not limited to, civil strife or labour unrest, armed conflict, limitations or price controls on mineral and energy resources and limitations or the imposition of tariffs or duties on imports of certain goods.

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Exploration and development activities in developing countries may require protracted negotiations with host governments, national mineral and energy resources entities/companies and third parties, and may be subject to economic and political considerations such as the risks of war, community disturbances, criminal activities (such as mineral and energy resources theft), expropriation, nationalisation, renegotiation, forced change or nullification of existing contracts or royalty rates, unenforceability of contractual rights, foreign ownership controls or approvals, protests, changing taxation policies or interpretations, adverse changes to laws (whether of general application or otherwise) or the interpretation thereof, foreign exchange restrictions, inflation, changing political conditions, the death or incapacitation of political leaders, local currency devaluation, currency controls, and foreign governmental regulations that favour or require the awarding of contracts to local contractors or require foreign contractors to employ citizens of, or purchase supplies from, a particular jurisdiction. Any of the factors detailed above or similar factors could have a material adverse effect on the Group's business, results of operations or financial condition.

If disputes arise in connection with the Group's operations in developing countries, the Group may be subject to the exclusive jurisdiction of foreign courts or foreign arbitration tribunals or may not be successful in subjecting foreign persons, especially foreign mineral and energy resources ministries and national mineral and energy resources entities/companies, to the jurisdiction of courts in other countries. Further, the Group may also be adversely affected by increased action by nongovernmental organizations opposing to the mineral and energy resources exploration and production industry.

(y) Risks associated with emerging and developing markets generally

The disruptions experienced in the international and domestic capital markets have led to reduced liquidity and increased credit risk premiums for certain market participants, and have resulted in a reduction of available financing. Companies located in countries with emerging markets may be particularly susceptible to these disruptions and reductions in the availability of credit or increases in financing costs, which could result in them experiencing financial difficulty. In addition, the availability of credit to entities operating within the emerging and developing markets is significantly influenced by levels of investor confidence in such markets as a whole and as such, any factors that impact market confidence including a decrease in credit ratings, state or central bank intervention in a market or terrorist activity and conflict, could affect the price or availability of funding for entities within any of these markets.

Since the onset of the global economic crisis in 2007, certain emerging market economies have been, and may continue to be, adversely affected by market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems outside countries with emerging or developing economies, or an increase in the perceived risks associated with investing in such economies could dampen foreign investment in and adversely affect the economies of these countries.

(z) Governmental or business corruption

The Group has operations in the Mineral and Energy Business in some countries which some perceive as having potentially more corrupt governmental and business environments compared to certain developed countries. Action taken against the Group for corruption could have a material adverse effect on the Group's business, results of operations or financial condition. In spite of the Group's best efforts, it may not be possible for the Group to detect or prevent every instance of fraud, bribery and corruption in every jurisdiction in which the Group's employees, agents, subcontractors or joint-venture partners are located. The Group may therefore be subject to civil and criminal penalties and to reputational damage. Instances of fraud, bribery and corruption, and violations of laws and regulations in the jurisdictions in which the Group operate, could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

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(aa) Terrorism and militant activity

Some of the countries where the Group may operate and conduct the Mineral and Energy Business have experienced terrorist and militant activity. There can be no assurance that further terrorist acts will not occur in the future. The fear of terrorist actions, either against the Group's properties or generally, could have an adverse effect on the Group's ability to adequately staff and/or manage the Group's operations or could substantially increase the costs of doing so.

Any future terrorist acts in the countries in which the Group operate, or countries neighbouring thereto, could destabilise those countries and increase internal divisions within their governments, and might result in concerns about stability in the region and negatively affect investors' confidence. Violent acts arising from and leading to instability and unrest have in the past had, and could continue to have, a material adverse effect on investment and confidence in, and the performance of, the economies of those countries, and in turn, on the Group's business. Any terrorist attack, including those targeting the Group's properties, could interrupt parts of the Group's business and materially and adversely affect the Group's business, results of operations, financial condition and prospects.

(ab) Lack of infrastructure / poorly maintained infrastructure

Physical infrastructure in some areas of the countries in which the Group operates or intends to operate in the Mineral and Energy Business, is obsolete or non-existent and in certain respects have not been adequately funded and maintained. Breakdowns or failures of any part of the physical infrastructure in such areas may disrupt the Group's normal business activity, cause the Group to suspend operations or result in environmental damage to the surrounding areas. Further deterioration of the physical infrastructure in such areas may disrupt the transportation of goods and supplies, increase operational costs of doing business in these areas and generally interrupt business operations, any or all of which could have a material adverse effect on the Group's business, results of operations, financial condition and prospects.

Risks relating to the Investment Business

(a) The market price of quoted securities may fluctuate significantly and rapidly

Investing in quoted securities carries inherent risk. The trading price of the securities the Company invests in could be volatile and subject to wide fluctuations in response to factors such as actual or anticipated variations in the issuer's operating results, changes in financial estimates by securities analysts, capital commitments, additions or departures of key personnel and other event or factors. Market fluctuations, as well as general political and economic conditions such as recession or interest rate or currency fluctuations may also adversely affect the market prices of the quoted securities the Company invests in.

(b) Due diligence and analysis risks

Before making any investments in quoted securities, the Company will assess the factors that it believes will determine the success of that investment. In doing so, the Company will rely on publicly available information and reports and analyses published by securities analysts. There may be little information available to the Company on a particular listed issuer other than what is available in prospectuses, offering documents or similar disclosure documentation. The Company cannot provide assurances that its analysis of listed issuers and quoted securities will uncover all relevant facts and information or that any investment in quoted securities will be successful.

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(c) Small and mid-capitalisation securities risks

The Company may invest in issuers with small, medium and large capitalisations. Smaller and medium-sized company shares can be more volatile than, and perform differently from, larger company shares. There may be less trading in the shares of a smaller or medium-sized company, which means that buy and sell transactions in those shares could have a larger impact on trading price than is the case with larger company shares. Smaller and medium-sized companies may have fewer business lines; changes in any one line of business may have a greater impact on a smaller or medium-sized company's stock price than is the case for a larger company. As a result, the purchase or sale of more than a limited number of shares of a small or medium-sized company may affect its market price. The Company may need a considerable amount of time to purchase or sell its positions in these securities. In addition, smaller or medium-sized company stocks may not be well known to the investing public.

(d) Emerging Markets Risk

The Company may invest in securities of issuers located in emerging markets. Emerging markets issuers are those (i) that are incorporated under the laws of and have a principal office(s) in an emerging market country or (ii) that have a significant part of their revenues, profits or assets in emerging market countries. Risks of investing in emerging markets issuers include: restrictions on foreign investment; and possible restrictions on repatriation of investment income and capital. Future economic or political crises in emerging markets could lead to price controls, forced mergers, expropriation or confiscatory taxation, seizure, nationalization, or creation of government monopolies. The currencies of emerging market countries may experience significant fluctuation, and devaluation may occur subsequent to investments in these currencies by the Company. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets of certain emerging market countries. Certain emerging markets also may face other significant internal or external risks, including a heightened risk of war, and ethnic, religious and racial conflicts. In addition, governments in many emerging market countries participate to a significant degree in their economies and securities markets, which may impair investment and economic growth, and which may in turn diminish the value of the companies in those markets.

(e) Capital Market Risk

Global financial markets and economic conditions are volatile due to a variety of factors, including significant write-offs in the financial services sector and therefore companies may have difficulty raising capital. In particular, as a result of concerns about the general stability of financial markets and specifically the solvency of lending counterparties, the cost of raising capital from the credit markets generally has increased as many lenders and institutional investors have increased interest rates, enacted tighter lending standards, refused to refinance debt on existing terms or at all and reduced, or in some cases ceased to provide, funding to borrowers. In addition, lending counterparties under existing revolving credit facilities and other debt instruments may be unwilling or unable to meet their funding obligations. Due to these factors, companies may be unable to obtain new debt or equity financing on acceptable terms or at all. If funding is not available when needed, or is available only on unfavorable terms, companies may not be able to meet their obligations as they come due. Should any of these factors affect an issuer the Company is invested in, the Company's investments may be severely and adversely affected.

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3. THE NOTES ISSUE

3.1 Information on the Subscriber and VCAM

VCAM is a fund management company incorporated in Singapore and registered with the Monetary Authority of Singapore. VCAM has been appointed to act as the investment manager for the Subscriber, a fund incorporated in the Cayman Islands. The Subscriber was identified and introduced to the Company through mutual and informal contacts in the industry, and no fees or commissions were paid to such contacts. The Subscriber intends to subscribe for the Notes for investment purposes.

The Subscriber has no connections, including business dealings or relationships, with the Company and its directors and substantial shareholders other than through the Notes Issue. The Subscriber does not fall within any of the prohibited categories as set out in Rule 812 of the Listing Manual to whom the Company is prohibited from issuing the Notes.

3.2 Principal Terms of the Notes

The Notes shall be issued in registered form in denominations of S\$50,000 each. The Notes are convertible into new ordinary shares in the capital of the Company (the “**Conversion Shares**”), which when issued, shall rank *pari passu* in all respects with all other Shares then existing. The issue price of the Notes is 100% of the principal amount (the “**Note Issue Price**”). The subscription and conversion of the Notes shall be in accordance with the terms of the Subscription Agreement and subject to the terms and conditions of the Notes (“**Terms and Conditions**”).

The Notes are comprised of three separate tranches, being the Tranche 1 Notes, Tranche 2 Notes and Tranche 3 Notes, which shall be issued in sub-tranches of S\$500,000 each in the manner described in Sections 3.4.1 and 3.4.2 below.

A summary of the key terms of the Notes is set out below:

Principal Amount	:	Up to S\$35,000,000 in principal amount of the Notes.
Issue Price	:	100.0 per cent. of the aggregate principal amount of the Notes.
Form and denomination	:	The Notes are issued in registered form in multiples of S\$50,000 and are serially numbered. A certificate will be issued by execution in manual or facsimile form by a duly authorised officer of the Company to each Noteholder in respect of its registered holding of each Note.
Maturity Date	:	36 months after the closing date for the first sub-tranche of the Tranche 1 Notes.
Redemption	:	The Notes which are not redeemed or purchased, converted or cancelled by the Company will be redeemed by the Company at 100% of their principal amount on the Maturity Date. The Company shall at least one (1) month prior to the Maturity Date, issue an announcement notifying Shareholders of the same and shall dispatch to all Noteholders, a notice of the Maturity Date.

In the event a Noteholder exercises its right to convert the Notes (the “**Conversion Right**”) and the Conversion Price applicable to such exercise is less than or equal to 65% of the average Closing Price per Share for the 30 consecutive Trading Days immediately preceding the closing date for any Note(s) (the “**Redeemable Conversion Note(s)**”) which is the subject of such Conversion Right, the Company may elect, by giving a notice via facsimile by 5.30 pm (Singapore time) on the Business Day following the relevant Conversion Date (which notice shall

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be irrevocable) (the “**Redemption Notice**”), to redeem such Redeemable Conversion Note(s) instead. The Company shall redeem the Redeemable Conversion Note(s) on the Business Day following the date of the Redemption Notice at the following amount in respect of each Redeemable Conversion Note (the “**Redemption Amount**”):

$$\text{Redemption Amount} = P + \left(8\% \times P \times \frac{D}{365} \right) + I$$

where:-

“P” = the aggregate principal amount of that Redeemable Conversion Note.

“D” = the amount of days that has elapsed since the closing date for that Redeemable Conversion Note.

“I” = all unpaid interest accrued on that Redeemable Conversion Note.

Interest Rate : The Notes will bear interest at a rate of 2.0% per annum.

Status of Notes : The Notes constitute direct, general, unconditional and unsecured obligations of the Company and shall at all times rank pari passu and without any preference or priority among themselves.

The Notes will not be listed and quoted on Catalist or any other exchange.

Conversion Price : The Conversion Shares shall be issued, at the option of the relevant Noteholder, at either:

(a) Fixed Conversion Price: 140% of the average of the traded volume weighted average prices per Share for the 30 Trading Days, immediately preceding:

(i) in respect of Tranche 1 Notes, the date of the Subscription Agreement;

(ii) in respect of Tranche 2 Notes, the closing date of the first sub-tranche of Tranche 2 Notes; and

(iii) in respect of Tranche 3 Notes, the closing date of the first sub-tranche of Tranche 3 Notes;

subject to adjustment in the manner provided in the Terms and Conditions; or

(b) Floating Conversion Price: 90% of the average of the traded volume weighted average prices per Share for any three (3) 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.

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Status of Conversion Shares : The Conversion Shares shall be issued unencumbered and free from any security interests, claims (including pre-emptive rights) or liens and will be freely transferable and shall rank pari passu in all respects with all other then existing Shares (except that such Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, the record date of which falls on or before the allotment and issuance of the relevant Conversion Shares), and will be admitted to listing on Catalist.

The Conversion Shares will be listed on Catalist. The Company has made an application through the Sponsor to the SGX-ST for the listing and quotation of the Conversion Shares on Catalist, and will make the relevant announcement upon receipt of the listing and quotation notice from the SGX-ST.

Transfer : The Noteholder shall, subject as provided hereinafter, be entitled at any time and from time to time to transfer the Note(s) registered in its name in whole but not in part to any third party and the Company hereby irrevocably consents to such transfer by the Noteholder unless the third party is a person that falls within the categories of persons set out in Rule 812 of the Listing Manual.

Event of Default : If any Event of Default (as defined in the Terms & Conditions) has occurred, including:

- (a) there is default by the Company in the payment of the principal or interest in respect of the Notes or any of them when and as the same ought to be paid and such default is not remedied by the Company within five days;
- (b) there is default by the Company in the performance or observance of any covenant, condition, provision or obligation contained in the Notes and on its part to be performed or observed (other than the covenant to pay the principal and interest in respect of any of the Notes) and such default continues for the period of 14 days next following the service by any Noteholder on the Company of notice requiring the same to be remedied;
- (c) an encumbrancer takes possession or a receiver is appointed of the whole or a material part of the assets or undertaking of the Group;
- (d) borrowings to net worth¹ ratio exceeds 150% at any time;
- (e) the Company's net worth is less than S\$9 million at any time;
- (f) the delisting of the Shares on Catalist or a suspension of trading other than pursuant to a very substantial acquisition or reverse takeover under Rule 1015 of the Listing Manual, of such shares on the SGX-ST for a period of five consecutive Market Days or more;

¹ "Net worth" means, at any time, as stated in the latest published accounts of the Company, the aggregate of the amounts shown in such accounts as paid up or credited as paid up on the issued share capital of the Company and standing to the credit of retained earnings and other capital and revenue reserves and includes minority interests therein; less any amount which is attributable to any debit balance in its statement of profit and loss as shown in the relevant accounts to the extent not already charged against retained earnings;

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- (g) for so long as there are any Notes outstanding, if the Company engages in any transaction with any hedge fund operating or originating from any part of the world;
- (h) any credit facilities granted to the Company or any of its subsidiaries are withdrawn, terminated or suspended for any reason whatsoever, and such action has a material adverse effect on the Group;
- (i) proceedings shall have been initiated against the Company or any subsidiary under any applicable bankruptcy, reorganisation or insolvency law and such proceedings have not been discharged or stayed within a period of 14 days;
- (j) the Company or any subsidiary shall initiate or consent to proceedings seeking with respect to itself adjudication of bankruptcy or a decree of commencement of composition or reorganisation or other similar procedures or the appointment of an administrator or other similar official under any applicable bankruptcy, reorganisation or insolvency law or make a general assignment for the benefit of, or enter into any composition with, its creditors, and such action has a material adverse effect on the Group;
- (k) a distress, execution or seizure before judgment is levied or enforced upon or sued out against a part of the property of the Company or any subsidiary, which is material in its effect upon the operations of either the Company or such subsidiary, as the case may be, and is not discharged within 14 days thereof; or
- (l) the delisting of the Shares on the Catalist or a suspension of trading other than pursuant to a very substantial acquisition or reverse takeover under Rule 1015 of the Catalist Rules, of such shares on the SGX-ST for a period of five consecutive Market Days or more,

any Note may be declared immediately due and payable whereupon it shall become immediately due and payable at 110% of its principal amount together with accrued interest without further formality.

Alteration to Terms : No material alteration to the terms of the Notes after the issue thereof to the advantage of the Subscriber shall be made, unless the alterations are made pursuant to the Terms and Conditions or the prior approval of the Shareholders in general meeting has been sought.

Governing Law : Singapore law.

Jurisdiction : Non-exclusive jurisdiction of the Singapore courts.

3.3 Conditions Precedent

The obligation of the Subscriber to subscribe and pay for the Notes is conditional on, amongst others, the following conditions:

- (a) a list of the Company's substantial shareholders as at the date of the Subscription Agreement being delivered to the Subscriber;
- (b) the representations and warranties given by the Company under the Subscription Agreement being true and accurate in all respects; and

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- (c) shareholders' approval for the issue of the Notes and the Conversion Shares, and the listing and quotation notice of the SGX-ST for the listing and quotation of the Conversion Shares on Catalist, being obtained and not being withdrawn or revoked,

being fulfilled or otherwise waived by the Subscriber.

3.4 Issue and Subscription of the Notes

3.4.1 Issue and subscription of Tranche 1 Notes

The Company shall issue the Tranche 1 Notes at the Note Issue Price in the following manner:

- (a) in respect of the first sub-tranche of Tranche 1 Notes, on the date falling two (2) Business Days immediately after the last of the conditions precedent are fulfilled or such other date as the Parties may agree in writing, such date being the closing date for the first sub-tranche of Tranche 1 Notes; and
- (b) in respect of each subsequent sub-tranche of Tranche 1 Notes:
 - (i) on the fifth (5th) Business Day after the last sub-tranche of Tranche 1 Notes issued are fully converted (the date of each conversion, a "**Tranche 1 Conversion Date**"); or
 - (ii) on such other date as the Subscriber may, in its sole and absolute discretion, decide.

3.4.2 Issue and subscription of Tranche 2 Notes and Tranche 3 Notes

- (a) The Subscriber has granted to the Company an option in respect of the Tranche 2 Notes and Tranche 3 Notes (collectively the "**Options**" and each, an "**Option**"), pursuant to which the Company may require the Subscriber to subscribe for these Notes during the relevant Option Period (as defined below).
- (b) Upon receipt of the exercise notice (the "**Exercise Notice**") from the Company in respect of Tranche 2 Notes, the Subscriber shall be obliged to subscribe for the Tranche 2 Notes in the following manner:
 - (i) the first sub-tranche of Tranche 2 Notes, no later than the fifth (5th) Business Day following the date of the Exercise Notice; and
 - (ii) in respect of each subsequent sub-tranche of Tranche 2 Notes:
 - (A) on the fifth (5th) Business Day after the last sub-tranche of Tranche 2 Notes are fully converted (the date of each conversion, a "**Tranche 2 Conversion Date**"); or
 - (B) on such other date as the Subscriber may, in its sole and absolute discretion, decide.
- (c) Upon receipt of the Exercise Notice from the Company in respect of Tranche 3 Notes, the Subscriber shall be obliged to subscribe for the Tranche 3 Notes in the following manner:
 - (i) the first sub-tranche of Tranche 3 Notes, no later than the fifth (5th) Business Day following the date of the Exercise Notice; and
 - (ii) in respect of each subsequent sub-tranche of Tranche 3 Notes:
 - (A) on the fifth (5th) Business Day after the last sub-tranche of Tranche 3 Notes are fully converted; or
 - (B) on such other date as the Subscriber may, in its sole discretion, decide.

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“Option Period” means, in respect of:

- (i) Tranche 2 Notes, the period commencing from and including the Tranche 1 Conversion Date of the last of the Notes comprised in the last sub-tranche of Tranche 1 Notes to and including the tenth (10th) Business Day thereafter; and
- (ii) Tranche 3 Notes, the period commencing from and including the Tranche 2 Conversion Date of the last of the Notes comprised in the last sub-tranche of Tranche 2 Notes to and including the tenth (10th) Business Day thereafter.

3.5 Termination

3.5.1 The Subscriber may, by notice to the Company, terminate the Subscription Agreement at any time before the time on the relevant closing date when payment would otherwise be due under the Subscription Agreement, in any of the following circumstances:

- (a) if there shall have come to the notice of the Subscriber:
 - (i) any breach of, or any event rendering untrue or incorrect in any material respect, any of the warranties and representations contained in the Subscription Agreement; or
 - (ii) any failure to perform any of the Company’s undertakings or obligations contained in the Subscription Agreement; or
- (b) if:
 - (i) there shall have been any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business or operations, or in or affecting the properties, of the Company or any of its subsidiaries and which materially and adversely affects the Company or the Company and its subsidiaries, taken as a whole; or
 - (ii) there shall have been an imposition of a new legal or regulatory restriction not in effect on the date hereof, or any change in the interpretation of existing legal or regulatory restrictions, that materially and adversely affects the Company or the Company and its subsidiaries, taken as a whole, or the offering, sale or delivery of the Notes or the Conversion Shares; or
 - (iii) an event of default shall have occurred in respect of any notes (including the Notes), debentures, bonds or other similar securities of the Company or any subsidiary issued and outstanding; or
 - (iv) there shall have been a suspension, designation, or material limitation of, trading of any shares of the Company by the SGX-ST for five (5) consecutive market days; or
 - (v) an event of default as defined in Schedule 3 to the Subscription Agreement has occurred.

3.5.2 Upon notice being given by the Subscriber in accordance with Section 3.5.1 above:

- (a) all outstanding Notes shall immediately become due and payable at 110% of their principal amount together with accrued interest;
- (b) the Company shall be liable to pay to the Subscriber a termination fee of 17% of the principal amount of the remaining unissued and unsubscribed Notes of the relevant tranche at the time of such notice; and
- (c) the Subscription Agreement shall terminate and be of no further effect.

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3.6 Arranger's Fee

In respect of each sub-tranche of the Notes which is subscribed for and issued, the Company will pay an arranger's fee of 2.0% of the aggregate principal amount of the Notes for such sub-tranche to VCAM on the closing date of such sub-tranche ("**Arranger's Fee**"). The Company agrees that to facilitate this payment, the Arranger's Fee payable shall be deducted by the Subscriber directly from the subscription moneys payable to the Company for the subscription of such sub-tranche.

3.7 Rationale and Use of Proceeds

The Company decided to enter into the Subscription Agreement so as to strengthen its balance sheet as well as to broaden the shareholder base and to enhance the financial flexibility of the Company to capitalise on potential growth and investment opportunities. The net proceeds from the Notes Issue shall be applied towards making investments to support the Diversification and for the Group's general working capital, with the goal of enhancing shareholder value.

Assuming full subscription, the estimated net proceeds from the Notes Issue, after deducting estimated fees, including the Arranger's Fee, and expenses of approximately S\$0.9 million, is approximately S\$34.1 million (the "**Net Proceeds**"). The Company intends to use the Net Proceeds in the following manner:

Use of Net Proceeds	Percentage Allocation (%)
General working capital	Approximately up to 10-20
Investments and acquisitions	Approximately up to 80-90

Pending the deployment of the Net Proceeds, such proceeds may be deposited with banks or financial institutions, invested in short-term money market instruments or marketable securities, and/or used for any other purpose on a short-term basis, as the Directors may, in their absolute discretion, deem fit from time to time.

The Company will make periodic announcements on the use of the Net Proceeds as and when they are materially disbursed, and provide a status report on the use of the Net Proceeds in the Company's annual report. The Company will disclose a breakdown with specific details on the use of the Net Proceeds for working capital in such announcements and annual reports.

The Directors are of the opinion that, after taking into consideration:

- (a) the present bank facilities, the working capital available ; and
- (b) the present bank facilities and the Net Proceeds, the working capital available,

to the Company and its subsidiaries is sufficient to meet its present requirements.

3.8 Financial Effects

The pro forma financial effects of the Notes Issue, based on the audited consolidated financial statements of the Company and the Group for the financial year ended 30 June 2014, are set out below. The pro forma financial effects are presented for illustration only, and are not intended to reflect the actual future financial situation of the Company or the Group after completion of the Notes Issue based on the following key assumptions:

- (a) the Notes are fully subscribed and converted in full at S\$0.0124 per Conversion Share resulting in the allotment and issuance of 2,818,035,427 Conversion Shares; and
- (b) estimated expenses of S\$0.9 million in connection with the Notes Issue.

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3.8.1 Net Tangible Assets

Assuming that the Notes Issue was completed on 30 June 2014, the effect on the NTA per Share of the Group as at 30 June 2014 will be as follows:

	Before the Notes Issue	After the Notes Issue
Consolidated NTA attributable to Shareholders (S\$'000)	15,340	49,427
Number of Shares ⁽¹⁾	2,048,678,060	4,866,713,487
Consolidated NTA per Share attributable to Shareholders (Singapore cents)	0.749	1.016

Notes:

- (1) The number of Conversion Shares are assumed to be issued at S\$0.0124 per share, being the Floating Conversion Rate.

3.8.2 Earnings per Share

Assuming that the Notes Issue was completed on 1 July 2013, the effect on the profit per Share of the Group for the financial year ended 30 June 2014 will be as follows:

	Before the Notes Issue	After the Notes Issue
Consolidated profit after taxation and minority interests (S\$'000)	(8,147)	(8,360)
Weighted average number of Shares ⁽¹⁾	2,048,678,060	4,866,713,487
Consolidated profit per Share (Singapore cents)	(0.398)	(0.172)

Notes:

- (1) The number of Conversion Shares are assumed to be issued at S\$0.0124 per share, being the Floating Conversion Rate.

3.9 **Chapter 8 of the Listing Manual**

The Company will not be relying on the general mandate obtained from Shareholders at the last AGM, but is seeking a separate specific approval of Shareholders for the issue of the Notes and Conversion Shares in accordance with Rules 803 and 811 of the Listing Manual.

As the conversion price for the Notes will be chosen at the option of the Subscriber and determined based on the VWAP of the Shares over a future period (save for the Fixed Conversion Price for the Tranche 1 Notes), it is not possible to determine the maximum number of Conversion Shares to be issued as at the Latest Practicable Date.

For illustration, based on 140% of the average VWAP for the 30 Trading Days preceding 3 September 2014, being the date of the Subscription Agreement, the Fixed Conversion Price for the Tranche 1 Notes would be S\$0.0234, which is a premium of 75.94% to the VWAP for trades done of S\$0.0133 on 3 September 2014. Based on the 90% of the lowest average VWAP for three (3) consecutive Trading Days during the 30 Trading Day period preceding 3 September 2014, the Floating Conversion Price would be S\$0.0124. Assuming:

- (a) every tranche of the Notes is subscribed for in full;
- (b) the same Floating Conversion Price applies to the Tranche 2 Notes and Tranche 3 Notes; and
- (c) the Subscriber elects to convert the Notes in full at the Floating Conversion Price;

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a total of 2,818,035,427 Conversion Shares may be issued to the Subscriber, which will represent approximately 57.12% of the issued share capital of the Company on an enlarged basis. Under Rule 803, an issuer must not issue securities to a transfer a controlling interest without prior shareholder approval.

In addition, Rule 811(2)(b) of the Listing Manual provides that in an issue of convertible securities, where the conversion price is based on a formula, any discount in the price-fixing formula must not exceed 10% of the prevailing market price of the underlying shares before conversion. This restriction on the conversion price will not apply if specific shareholders' approval is obtained for the issue of convertible securities.

4. RECOMMENDATION BY DIRECTORS

Having reviewed, *inter alia*, the rationale for the Diversification, the Directors are unanimously of the view that the Diversification is in the best interests of the Company, and they recommend that Shareholders vote in favour of the Diversification at the EGM.

Having reviewed, *inter alia*, the terms and rationale of the Notes Issue, the Directors are unanimously of the view that the Notes Issue is in the best interests of the Company, and they recommend that Shareholders vote in favour of the Notes Issue at the EGM.

5. EXTRAORDINARY GENERAL MEETING

The EGM will be held on 29 October 2014 at 11.30 a.m. at Level 2, Antica II, 1 Tanglin Road, Orchard Parade Hotel, Singapore 247905 or the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions set out in the Notice of EGM on page N-1 of this Circular.

6. ACTIONS TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the EGM and wish to appoint a proxy to attend and vote at the EGM on their behalf, may complete, sign and return the proxy form attached to the Notice of EGM in accordance with the instructions printed thereon as soon as possible and in any event so as to reach the registered office of the Company at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875 not later than 48 hours before the time fixed for holding the EGM. The completion and return of the proxy form by a Shareholder will not prevent him from attending and voting at the EGM, if he wishes to do so, in place of his proxy.

A Depositor shall not be entitled to attend and vote at the EGM unless he is shown to have Shares entered against his name in the Depository Register as at 48 hours before the time fixed for holding the EGM, as certified by CDP to the Company.

7. DIRECTORS' RESPONSIBILITY STATEMENT

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

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

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8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected by Shareholders at the registered office of the Company at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875 during normal business hours the date of this Circular up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association;
- (b) the Annual Report 2013; and
- (c) the Subscription Agreement.

Yours faithfully

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

Luke Ho Khee Yong
Company Secretary

APPENDIX I – ADJUSTMENT MECHANISM EXTRACTED FROM THE SUBSCRIPTION AGREEMENT

Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meaning as used in the Circular.

“Capital Distribution” means (a) any distribution of assets in specie charged or provided for in the accounts of the Company for any financial period (whenever paid or made and however described) but excluding a distribution of assets in specie in lieu of, and to a value not exceeding, 110% of the cash dividend which would not have constituted a Capital Distribution under (b) below (and for these purposes a distribution of assets in specie includes without limitation an issue of shares or other securities credited as fully or partly paid (other than Shares credited as fully paid) by way of capitalisation of reserves); and (b) any cash dividend or distribution of any kind charged or provided for in the accounts of the Company for any financial period (whenever paid or made and however described) unless:-

- (aa) and to the extent that it does not, when taken together with any dividend or distribution in cash or any distribution of assets in specie previously made or paid in respect of any financial period after 30 June 2014, exceed an amount equal to the aggregate of the consolidated cumulative net profits less the aggregate of any consolidated net losses (after taxation but including any net realised gains (less any losses) made on the disposal of investments and extraordinary items) attributable to the members of the Company in respect of financial periods ending after 30 June 2014 as shown in the audited consolidated accounts of the Company, for such periods (PROVIDED THAT consolidated net profits shall exclude any amount arising as a result of any reduction of share capital); or
- (bb) (if it would exceed such amount available under (aa)) and to the extent that (1) it would exceed such amount and (2) the rate of that dividend or distribution, together with all other dividends or distributions on the class of capital in question charged or provided for in the accounts of the Company for that period, does not exceed the aggregate rate of dividend or distribution on such class of capital charged or provided for in the accounts of the Company for the immediately preceding financial period. In computing such rates the value of distributions in specie shall be taken into account and such adjustments as are in the opinion of the auditors of the Company appropriate to the circumstances shall be made (including adjustments in the event that the lengths of such financial periods differ); or
- (cc) it comprises a purchase or redemption of share capital of the Company, provided, in the case of purchases of Shares by the Company, that the average price (before expenses) on any one day in respect of such purchases does not exceed by more than 5% the current market price per Share either (i) on that day, or (ii) where an announcement has been made of the intention to purchase Shares at some future date at a specified price, on the Trading Day immediately preceding the date of such announcement; and

“Stock Split” means any kind of stock split in relation to the Shares, including a bonus share distribution, a stock dividend or a sub-division of Shares.

8.14 The Fixed Conversion Price will be subject to adjustment as follows:-

- (i) if the Company shall (a) make a Stock Split, (b) consolidate its outstanding Shares into a smaller number of shares, or (c) re-classify any of its Shares into other securities of the Company, then the Fixed Conversion Price shall be appropriately adjusted so that the holder of any Note, the Conversion Date in respect of which occurs after the coming into effect of the adjustment described in this Condition 8.14(i), shall be entitled to receive the number of Shares and/or other securities of the Company which it would have held or have been entitled to receive after the happening of any of the events described above had such Note been converted immediately prior to the happening of such event (or, if the Company has fixed a prior record date for the determination of Shareholders entitled to receive any such Shares or other securities issued upon any such Stock Split, consolidations or re-classification, immediately prior to such record date), but without prejudice to the effect of any other adjustment to the Fixed Conversion Price made with effect from the date of the happening of such event (or such record date) or any time thereafter. An adjustment made pursuant to this Condition 8.14(i) shall become effective immediately on the happening of

APPENDIX I – ADJUSTMENT MECHANISM EXTRACTED FROM THE SUBSCRIPTION AGREEMENT

the relevant event or, if a prior record date is fixed therefore, immediately after the record date; PROVIDED THAT in the case of a relevant transaction which must, under applicable Singapore law, be submitted for approval to a general meeting of Shareholders or to a meeting of the board of directors of the Company before being legally effective, and which is so approved after the record date fixed for the determination of Shareholders entitled to receive such Shares or other securities, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date.

If the Company shall make a Stock Split and the record date therefore is also:-

- (a) the record date for the issue of any rights or warrants which requires an adjustment of the Fixed Conversion Price pursuant to Conditions 8.14(ii) or 8.14(iii), or
- (b) the date of issue of any securities convertible into or exchangeable for Shares which requires an adjustment of the Fixed Conversion Price pursuant to Condition 8.14(v), or
- (c) the day immediately before the date of issue of any Shares which requires an adjustment of the Fixed Conversion Price pursuant to Condition 8.14(vi), or
- (d) the date of issue of any rights or warrants which requires an adjustment of the Fixed Conversion Price pursuant to Condition 8.14(vii),

then (except where such Stock Split gives rise to a retroactive adjustment of the Fixed Conversion Price under this Condition 8.14(i)) no adjustment of the Fixed Conversion Price in respect of such Stock Split shall be made under this Condition 8.14(i), but in lieu thereof an adjustment shall be made under Conditions 8.14(ii),(iii),(v),(vi),(vii) or (viii), as the case may be, by including in item “NS” (in the case of Condition 8.14(viii), “NS1”, “NS2” and “NS3”) of the formula described therein the aggregate number of additional Shares to be delivered pursuant to such Stock Split;

- (ii) if the Company shall grant, issue or offer to the holders of Shares rights or warrants entitling them to subscribe for or purchase Shares:-
 - (a) at a consideration per Share receivable by the Company (determined as provided in Condition 8.15) which is fixed on or prior to the record date mentioned below and is less than 95% of the current market price per Share on such record date; or
 - (b) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the record date mentioned below and is less than 95% of the current market price per Share on the date in Singapore the Company fixes the said consideration,

then the Fixed Conversion Price in effect (in a case within (a) above) on the record date for the determination of Shareholders entitled to receive such rights or warrants or (in a case within (b) above) on the date the Company fixes the said consideration shall be adjusted in accordance with the following formula:-

$$\text{NFCP} = \text{OFCP} \times \frac{\text{OS} + v}{\text{OS} + \text{NS}}$$

where:-

“NFCP” = the Fixed Conversion Price after such adjustment.

“OFCP” = the Fixed Conversion Price before such adjustment.

“OS” = the number of Shares outstanding (having regard to Condition 8.16) at the close of business in Singapore (in a case within (a) above) on such record date or (in a case within (b) above) on the date the Company fixes the said consideration.

APPENDIX I – ADJUSTMENT MECHANISM EXTRACTED FROM THE SUBSCRIPTION AGREEMENT

“NS” = the number of Shares to be issued on exercise of such rights or warrants at the initial subscription or purchase price.

“v” = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 8.15) would purchase at such current market price per Share specified in (a) or, as the case may be, (b) above.

Such adjustment shall become effective (in a case within (a) above) immediately after the record date for the determination of Shareholders entitled to receive such rights or warrants or (in a case within (b) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the record date for the said determination.

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants entitling them to subscribe for or purchase Shares, any such rights or warrants and/or Shares which are not subscribed for or purchased by the persons entitled thereto are offered to and/or subscribed for by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Fixed Conversion Price by reason of such offer and/or subscription;

(iii) if the Company shall grant, issue or offer to the holders of Shares rights or warrants entitling them to subscribe for or purchase any securities convertible into or exchangeable for Shares:-

(a) at a consideration per Share receivable by the Company (determined as provided in Condition 8.15) which is fixed on or prior to the record date mentioned below and is less than 95% of the current market price per Share on such record date; or

(b) at a consideration per Share receivable by the Company (determined as aforesaid) which is fixed after the record date mentioned below and is less than 95% of the current market price per Share on the date in Singapore the Company fixes the said consideration,

then the Fixed Conversion Price in effect (in a case within (a) above) on the record date for the determination of Shareholders entitled to receive such rights or warrants or (in a case within (b) above) on the date the Company fixes the said consideration shall be adjusted in accordance with the following formula:-

$$\text{NFCP} = \text{OFCP} \times \frac{\text{OS} + v}{\text{OS} + \text{NS}}$$

where:-

“NFCP” and “OFCP” have the meanings ascribed thereto in Condition 8.14(ii).

“OS” = the number of Shares outstanding (having regard to Condition 8.16) at the close of business in Singapore (in a case within (a) above) on such record date or (in a case within (b) above) on the date the Company fixes the said consideration.

“NS” = the number of Shares to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial subscription or purchase, and conversion or exchange, price or rate following exercise of such rights or warrants.

“v” = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 8.15) would purchase at such current market price per Share specified in (a), or, as the case may be, (b) above.

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Such adjustment shall become effective (in a case within (a) above) immediately after the record date for the determination of Shareholders entitled to receive such rights or warrants or (in a case within (b) above) immediately after the day upon which the Company fixes the said consideration but retroactively to immediately after the record date for the said determination.

If, in connection with a grant, issue or offer to the holders of Shares of rights or warrants entitling them to subscribe for or purchase securities convertible into or exchangeable for Shares, any such securities convertible into or exchangeable for Shares which are not subscribed for or purchased by the persons entitled thereto are offered to and/or subscribed for by others (whether as placees or members of the public or pursuant to underwriting arrangements or otherwise), no further adjustment shall be required or made to the Fixed Conversion Price by reason of such offer and/or subscription;

- (iv) if the Company shall distribute to the holders of Shares evidences of its indebtedness, ordinary shares of the Company (other than Conversion Shares), assets (excluding annual dividends or interim dividends) or rights or warrants to subscribe for or purchase securities (other than those rights and warrants referred to in Conditions 8.14(ii) and 8.14(iii)), then the Fixed Conversion Price in effect on the record date for the determination of Shareholders entitled to receive such distribution shall be adjusted in accordance with the following formula:-

$$\text{NFCP} = \text{OFCP} \times \frac{\text{CMP} - \text{fmv}}{\text{CMP}}$$

where:-

“NFCP” and “OFCP” have the meanings ascribed thereto in Condition 8.14(ii).

“CMP” = the current market price per Share on the record date for the determination of Shareholders entitled to receive such distribution.

“fmv” = the fair market value (as determined by the Company or, if pursuant to applicable Singapore law such determination is to be made by application to a court of competent jurisdiction, as determined by such court or by an appraiser appointed by such court, and in any case described in a statement delivered by the Company to the Noteholders) of the portion of the evidences of indebtedness, shares, assets, rights or warrants so distributed applicable to one Share.

In making a determination of the fair market value of any such rights or warrants, the Company shall consult a major independent international merchant bank or investment adviser in Singapore (who shall act as an expert) selected by the board of directors of the Company and shall take fully into account the advice received from such bank or adviser. Such adjustment shall become effective immediately after the record date for the determination of Shareholders entitled to receive such distribution, provided, however, that (a) if such distribution must, under applicable Singapore law, be approved by a general meeting of Shareholders or a meeting of the board of directors of the Company before being legally made, and if such distribution is so approved after the record date fixed for the determination of Shareholders entitled to receive such distribution, such adjustment shall, immediately upon such approval being given by such meeting, become effective retroactively to immediately after such record date and (b) if the fair market value of the evidences of indebtedness, shares, assets, rights or warrants so distributed cannot be determined until after the record date fixed for the determination of Shareholders entitled to receive such distribution, such adjustment shall, immediately upon such fair market value being determined, become effective retroactively to immediately after such record date;

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- (v) if the Company shall issue any securities convertible into or exchangeable for Shares (other than the Notes or in any of the circumstances described in Condition 8.14(iii) and Condition 8.14(vii)) or where such securities are issued to the vendors of assets being acquired for full value by the Company and the consideration per Share receivable by the Company (determined as provided in Condition 8.15) shall be less than 95% of the current market price per Share on the date in Singapore on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of Shareholders, on the date in Singapore on which the board of directors of the Company fixes the consideration to be recommended at such meeting), then the Fixed Conversion Price in effect on the date of the issue of such convertible or exchangeable securities shall be adjusted in accordance with the following formula:-

$$\text{NFPC} = \text{OFPC} \times \frac{\text{OS} + v}{\text{OS} + \text{NS}}$$

where:-

“NFPC” and “OFPC” have the meanings ascribed thereto in Condition 8.14(ii).

“OS” = the number of Shares outstanding (having regard to Condition 8.16) at the close of business in Singapore on the date of such issue.

“NS” = the number of Shares to be issued upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate.

“v” = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 8.15) would purchase at such current market price per Share.

Such adjustment shall become effective immediately after the calendar day in Singapore corresponding to the calendar day at the place of issue upon which such convertible or exchangeable securities shall be issued;

- (vi) if the Company shall issue any Shares (other than Shares issued to shareholders of any corporation which merges into the Company upon such merger in proportion to their shareholding in such corporation immediately prior to such merger and other than Shares issued on exercise of the conversion rights attaching to the Notes or pursuant to a scrip dividend or pursuant to an exercise of any rights attached to securities the issue of which had given rise to an adjustment under sub-paragraph (v) of this Condition or did not require any adjustment pursuant to these Conditions) and the consideration per Share receivable by the Company (determined as provided in Condition 8.15) shall be less than 95% of the current market price per Share on the date in Singapore on which the Company fixes the said consideration (or, if the issue of such Shares is subject to approval by a general meeting of Shareholders, on the date in Singapore on which the board of directors of the Company fixes the consideration to be recommended at such meeting), then the Fixed Conversion Price in effect on the date of the issue of such additional Shares shall be adjusted in accordance with the following formula:-

$$\text{NFPC} = \text{OFPC} \times \frac{\text{OS} + v}{\text{OS} + \text{NS}}$$

where:-

“NFPC” and “OFPC” have the meanings ascribed thereto in Condition 8.14(ii).

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- “OS” = the number of Shares outstanding (having regard to Condition 8.16) at the close of business in Singapore on the day immediately prior to the date of issue of such additional Shares.
- “NS” = the number of additional Shares being issued as aforesaid.
- “v” = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 8.15) would purchase at such current market price per Share.

Such adjustment shall become effective as of the date in Singapore on which the Company issues such additional Shares;

- (vii) if the Company shall issue any rights or warrants to subscribe for or purchase Shares or securities convertible into or exchangeable for Shares (other than the Notes and any rights or warrants granted, issued or offered to the holders of Shares or pursuant to the terms of any securities) and the consideration per Share receivable by the Company (determined as provided in Condition 8.15) shall be less than 95% of the current market price per Share on the date in Singapore on which the Company fixes the said consideration (or, if the issue of such rights or warrants is subject to approval by a general meeting of Shareholders, on the date in Singapore on which the board of directors of the Company fixes the consideration to be recommended at such meeting), then the Fixed Conversion Price in effect on the date of the issue of such rights or warrants shall be adjusted in accordance with the following formula:-

$$\text{NFCP} = \text{OFCP} \times \frac{\text{OS} + v}{\text{OS} + \text{NS}}$$

where:-

“NFCP” and “OFCP” have the meanings ascribed thereto in Condition 8.14(ii).

- “OS” = the number of Shares outstanding (having regard to Condition 8.16) at the close of business in Singapore on the date of such issue.
- “NS” = the number of Shares to be issued on exercise of such rights or warrants at the initial subscription or purchase price, or upon conversion or exchange of such convertible or exchangeable securities at the initial conversion or exchange price or rate following exercise of such rights or warrants.
- “v” = the number of Shares which the aggregate consideration receivable by the Company (determined as provided in Condition 8.15) would purchase at such current market price per Share on the date in Singapore on which the Company fixes such consideration (or the date on which the board of directors of the Company fixes the consideration, as appropriate).

Such adjustment shall become effective immediately after the calendar day in Singapore corresponding to the calendar day at the place of issue upon which such rights or warrants shall be issued;

- (viii) if the Company shall issue securities of a type falling within Conditions 8.14(v), (vi) or (vii) above which otherwise require an adjustment to the Fixed Conversion Price pursuant thereto and the date of issue of such securities, in the case of Condition 8.14(v) or (vii), or the day immediately prior to such date of issue, in the case of Condition 8.14(vi), (in each case, the “**relevant date**”) is also the relevant date in respect of securities of another type or types (including a different tranche or issue of a same type) falling within Conditions 8.14(v), (vi) and/or (vii) which otherwise require an adjustment to the Fixed Conversion Price pursuant thereto (all such securities being hereafter

APPENDIX I – ADJUSTMENT MECHANISM EXTRACTED FROM THE SUBSCRIPTION AGREEMENT

referred to as “**Securities**”), then any adjustment of the Fixed Conversion Price shall not be made separately under each such sub-paragraph but in one calculation in accordance with the following formula:-

$$\text{NFCP} = \text{OFCP} \times \frac{\text{OS} + v1 + v2 + v3}{\text{OS} + \text{NS1} + \text{NS2} + \text{NS3}}$$

where:-

“NFCP” and “OFCP” have the meanings ascribed thereto in Condition 8.14(ii).

“OS” = the number of Shares outstanding (having regards to Condition 8.16) at the close of business in Singapore on the relevant date.

“NS1” = the number of Shares to be issued upon conversion or exchange of any convertible or exchangeable securities (included within the Securities) at the initial conversion or exchange price or rate.

“NS2” = the number of any additional Shares (included within the Securities) being issued.

“NS3” = the number of Shares to be issued on exercise of any rights or warrants (included within the Securities) at the initial subscription or purchase price, or upon conversion or exchange of any convertible or exchangeable securities at the initial conversion or exchange price or rate following exercise of such rights or warrants.

“v1” = the number of Shares which the aggregate consideration receivable by the Company for such convertible or exchangeable securities (determined as provided in Condition 8.15) would purchase at the current market price per Share on the date in Singapore on which the Company fixes the said consideration (or, if the issue of such convertible or exchangeable securities is subject to approval by a general meeting of Shareholders, on the date in Singapore on which the Board of the Directors of the Company fixes the consideration to be recommended at such meeting).

“v2” = the number of Shares which the aggregate consideration receivable by the Company for the issue of such additional Shares (determined as provided in Condition 8.15) would purchase at the current market price per Share on the date in Singapore on which the Company fixes the said consideration (or, if the issue of such Shares is subject to approval by a general meeting of Shareholders, on the date in Singapore on which the board of directors of the Company fixes the consideration to be recommended at such meeting).

“v3” = the number of Shares which the aggregate consideration receivable by the Company for the issue of the total number of Shares to be issued on exercise of such rights or warrants and (if applicable) upon conversion or exchange of such convertible or exchangeable securities (determined as provided in Condition 8.15) would purchase at the current market price per Share on the date in Singapore on which the Company fixes the said consideration (or, if the issue of such rights or warrants is subject to approval by a general meeting of Shareholders, on the date in Singapore on which the board of directors of the Company fixes the consideration to be recommended at such meeting).

Any such adjustment shall become effective immediately after the calendar day in Singapore corresponding to the calendar day at the relevant place of issue which is the relevant date.

For the avoidance of doubt, this Condition 8.14(viii) does not supersede the provisions of Conditions 8.14(v), (vi) and (vii);

**APPENDIX I – ADJUSTMENT MECHANISM EXTRACTED FROM
THE SUBSCRIPTION AGREEMENT**

- (ix) if the Company makes a Capital Distribution which does not fall within paragraphs (i) to (viii) above, the Fixed Conversion Price shall be adjusted by multiplying the Fixed Conversion Price in force immediately before such Capital Distribution by the following formula:-

$$\frac{X - Y}{X}$$

where:-

“X” is the current market price per Share on the last Trading Day preceding the date on which the Capital Distribution is publicly announced; and

“Y” is the fair market value on the date of such announcement, as determined in good faith by a major independent international merchant bank or investment adviser selected by the Company, and acting as an expert, of the portion of the Capital Distribution attributable to one Share.

Such adjustment shall become effective on the date that such Capital Distribution is actually made.

NOTICE OF EXTRAORDINARY GENERAL MEETING

MAGNUS ENERGY GROUP LTD.

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

Unless otherwise defined or the context otherwise requires, all capitalised terms herein shall bear the same meaning as used in the circular dated 13 October 2014 issued by the Company (the “Circular”).

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Magnus Energy Group Ltd. (the “Company”) will be held on 29 October 2014 at 11.30 a.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place) at Level 2, Antica II, 1 Tanglin Road, Orchard Parade Hotel, Singapore 247905 for the purpose of considering and, if thought fit, passing with or without any modifications the following resolutions:

ORDINARY RESOLUTION 1: THE PROPOSED DIVERSIFICATION

That:

- (a) approval be and is hereby given for the Company to undertake the Energy Business and Investment Business, and for the entry by the Company into any contracts, agreements, arrangements and undertakings as the Directors may deem desirable, necessary or expedient to undertake the New Businesses; and
- (b) the Directors and each of them be and are hereby authorised to do all acts and things as they or each of them deem desirable, necessary, or expedient to give effect to the diversification of the Company’s business scope to include the New Businesses as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company.

ORDINARY RESOLUTION 2: THE PROPOSED NOTES ISSUE

That:

- (a) approval be and is hereby given for the Company to allot and issue up to S\$35,000,000 in aggregate principal amount of redeemable convertible notes due 2017 comprising two initial tranches of a principal amount of S\$10,000,000 each and a final tranche of a principal amount of S\$15,000,000 to Premier Equity Fund;
- (b) approval be and is hereby given for the Company to allot and issue such number of Conversion Shares as may be required or permitted to be allotted or issued on the conversion of the Notes, to the Note holders on the conversion thereof, subject to the terms and conditions of the Notes, whereby such Conversion Shares (i) shall rank *pari passu* in all respects with the then existing shares of the Company except that such Conversion Shares shall not be entitled to any dividends, rights, allotments or other distributions, the record date of which is before the relevant conversion date of the Notes, and (ii) shall be admitted to listing on the Catalist;
- (c) approval be and is hereby given for the Company to allot and issue, on the same basis as paragraph (b) above, such further Conversion Shares as may be required to be allotted or issued on the conversion of the Notes upon the adjustment of the Conversion Price in accordance with the terms and conditions of the Notes;

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (d) the Directors and each of them be and are hereby authorised to do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to the matters referred to in the above paragraphs of this resolution as they or each of them may in their or each of their absolute discretion deem fit in the interests of the Company.

By Order of the Board
Magnus Energy Group Ltd.

Luke Ho Khee Yong
Company Secretary

13 October 2014

Notes:

1. *A member entitled to attend and vote at this meeting is entitled to appoint a proxy or proxies to attend and vote instead of him. A proxy need not be a member of the Company.*
2. *The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.*
3. *If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.*
4. *If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the Meeting will act as your proxy.*
5. *The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Company's business address at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875 not less than 48 hours before the time appointed for holding the meeting and at any adjournment thereof.*
6. *For depositors holding their shares through The Central Depository (Pte) Limited in Singapore, the Directors have determined that it is more practicable for the depositor proxy form to be delivered to, collected, collated, reviewed and checked at the Company's business office at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875 and as such will be counted as valid in regards to this meeting pursuant to the Company's Articles of Association. The depositor proxy form, duly completed, must be deposited by the depositor(s) at the abovementioned office of the Company's Share Registrar in Singapore not less than 48 hours before the commencement of the EGM.*

*This Notice has been prepared by the Company and its contents have been reviewed by the Company's Continuing Sponsor, Stamford Corporate Services Pte. Ltd. (the "**Sponsor**"), for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this Notice.*

This Notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Notice, including the correctness of any of the statements or opinions made or reports contained in this Notice.

*The contact person for the Sponsor is Mr Bernard Lui whose details are set out below:
Tel: 6389 3000 Email: bernard.lui@stamfordlaw.com.sg*

PROXY FORM

MAGNUS ENERGY GROUP LTD.

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

IMPORTANT:

1. For investors who have used their CPF money to buy Shares in Magnus Energy Group Ltd., this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

*I/We (Name) _____

of (Address) _____

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

Name	Address	*NRIC / Passport Number	Proportion of shareholdings to be represented by proxy	
			Number of Shares	%
*and/or				

or failing *him/them the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Extraordinary General Meeting of the Company to be held on 29 October 2014 at 11.30 a.m. (or immediately after the conclusion or adjournment of the Annual General Meeting of the Company to be held at 11.00 a.m. on the same day and at the same place) at Level 2, Antica II, 1 Tanglin Road, Orchard Parade Hotel, Singapore 247905 and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Extraordinary General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolution	To be used on a show of hands		To be used in the event of a poll	
		For ⁽¹⁾	Against ⁽¹⁾	Number of votes for ⁽²⁾	Number of votes against ⁽²⁾
1.	To approve the Diversification into the New Businesses				
2.	To approve the Notes Issue				

(1) Please indicate your vote "For" or "Against" the Resolution.

(2) If you wish to use all your votes "For" or "Against", please indicate with an "X" within the box provided. Otherwise, please indicate the number of votes.

Dated this _____ day of _____ 2014

Total Number of Shares in:	
(a) CDP Register	
(b) Register of Members	

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

*Please delete accordingly

Important: Please read notes overleaf.



PROXY FORM

Notes:

1. A member of the Company entitled to attend and vote at the Extraordinary General Meeting is entitled to appoint one or two proxies to attend and vote in his stead.
2. Where a member appoints more than one proxy, he/she should specify the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy and if no percentage is specified, the first named proxy shall be treated as representing 100 per cent of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A proxy need not be a member of the Company.
4. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this form of proxy will be deemed to relate to all the Shares held by you.
5. The instrument appointing a proxy or proxies must be deposited at the Company's business office at 400 Orchard Road, #19-06 Orchard Towers, Singapore 238875 not less than 48 hours before the time set for the Extraordinary General Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or by his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a shareholder of the Company may, in accordance with Section 179 of the Companies Act, Cap. 50 of Singapore, authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Extraordinary General Meeting.
9. The Company shall be entitled to reject the instrument appointing a proxy or proxies, if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies if a shareholder of the Company, being the appointor, is not shown to have shares entered against his/her name in the Depository Register as at 48 hours (being two (2) Business Days) before the time appointed for holding the Extraordinary General Meeting, as certified by The Central Depository (Pte) Limited to the Company.