

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

RESPONSE TO SGX-ST QUERIES – APPOINTMENT OF MR LEE CHONG PING AS INDEPENDENT DIRECTOR

Unless otherwise specified, all capitalised terms shall have the same meaning ascribed to them in the Previous Announcements (as defined below).

The Board of Directors of Magnus Energy Group Ltd (the “**Company**” and, together with its subsidiaries, the “**Group**”) refers to the announcements dated 28 November 2019, 20 December 2019 and 24 December 2019 (“**Previous Announcements**”).

The Company wishes to respond to the following queries dated 26 December 2019 from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) with regards to the appointment of Mr. Lee Chong Ping (“**Mr. Lee**”) as Independent Non-Executive Director (“**ID**”) of the Company as follows:

No.	Queries From SGX-ST	Response from the Company
1	<p>In Company’s announcement on responses to SGX queries announced on 24 December 2019, the Company responded the following to Question 3(ii) on his appointment on China Sky “<i>Mr. Lee was appointed after the SGX-ST issued the special audit directive and was not involved in the transactions above. He facilitated the coordination between the special auditor and the management of the Company during the special audit.</i>”</p> <p>Please elaborate and clarify on:</p>	
	<p>(i) the outcome of the special audit,</p>	The special audit was completed by Stone Forest Corporate Advisory Pte Ltd (“ SFCA ”) and the special audit report was issued by SFCA on 19 June 2013 (“ Special Audit Report ”), which can be found here . The conclusion of the special audit can be found on pages 70 to 74 of the Special Audit Report.
	<p>(ii) any regulatory actions taken against China Sky, and</p>	There were no regulatory actions taken against China Sky subsequent to the release of special audit report to the end of his employment with China Sky that Mr. Lee is aware of.
	<p>(iii) if there were any mentions of his involvement in the special audit report.</p>	Save where (i) Mr. Lee’s name, designation and tenure with China Sky was stated factually under the section “List of Individuals and Designations” and (ii) that he was mentioned to have provided SFCA with a requested document, there were no other mentions of Mr. Lee in the Special Audit Report.
2	<p>It is also noted that during Mr. Lee’s tenure as the CFO of China Sky between Sep 2012 and May 2015, a regulatory announcement was made on 12 Feb 2015 on SGX’s conditions to be fulfilled for</p>	

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	<p>the resumption of trading of China Sky's shares. One of such conditions was '(b) an undertaking from the Board to appoint a suitable CFO, acceptable to SGX, within 6 months of trading resumption and a disclosure via SGXNet of the Board's view of the adequacy of the Company's current resource in its finance function'.</p> <p>Following that, the Company announced the cessation of Mr. Lee in May 2015, citing that Mr. Lee wishes to pursue other career opportunities.</p> <p>In the Company's announcement of 9 Sep 2015, the Company stated that it is currently in the midst of identifying a suitable CFO for the purpose of fulfilling the conditions for resumption of trading.</p>	
(i)	<p>Please explain Mr Lee's role in the matters leading to the above. Please elaborate on how the (a) NC, and (b) sponsor are satisfied that Mr. Lee is suitable as a director of a listed company given the above matters.</p>	<p>Mr. Lee was the Financial Controller ("FC") between September 2012 and May 2015. His roles are primarily in charge of the accounting and finance functions at the listed company level. He joined another listed company as Chief Financial Officer ("CFO") in June 2015.</p> <p>(a) NC: Mr. Lee was appointed as the FC (and not CFO) after the SGX issued the special audit directive and was not involved in the transactions mentioned. Mr. Lee confirmed that he was not and has not been contacted by the SGX-ST for any discussions on his appointment as the FC. One of SGX's conditions stated in the regulatory announcement on 12 Feb 2015 was to appoint a "suitable CFO". The Nominating Committee ("NC") considered Mr. Lee's professional qualifications such as his Degree in Technology (Management), his fellow membership of the Association of Chartered Certified Accountants, and that Mr. Lee is also a non-practising member of Institute of Singapore Chartered Accountants and non-practising member of Malaysian Institute of Accountants. The NC had also considered Mr. Lee's past working experiences as chief financial officer as well as financial controller in various listed companies and considered his skills to be complementary to the skills of the Board as an Independent Director as well as the Chairman of the Audit Committee ("AC").</p>

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		<p>(b) Sponsor: The Sponsor had queried Mr. Lee on this matter and he had stated that he was the FC and there was no CFO. The Sponsor also understands that Mr. Lee was not and has not been subject to any query from the SGX-ST on his suitability as the FC then.</p> <p>The Sponsor reviewed the resume and declaration form of Mr. Lee. An independent check (comprising public searches and third-party checks) were conducted on Mr. Lee and reviewed against the resume and declaration form provided. Further, an interview was conducted by the Sponsor with Mr. Lee and such interview minutes were confirmed by Mr. Lee. The Sponsor reviewed the background of Mr. Lee and it was noted that Mr. Lee had no prior experience as a director of the listed company. Notwithstanding, the Sponsor considered his financial experience in listed companies such as CFM Holdings limited, Transcorp Holdings Limited, China Sky Chemical Fibre Co., Ltd, Sen Yue Holdings Limited (FKA PNE Micron Holdings Ltd) and Oceanus Group Limited and that Mr. Lee will be undergoing training on the roles and responsibilities of a director of a listed issuer to meet the mandatory training requirements under Rule 406(3)(a) of the Catalist Rules within the timeframe prescribed by the SGX-ST. After (i) review of the available documentation provided by Mr. Lee, independent checks on Mr. Lee and interview minutes with Mr. Lee in relation to his appointment, (ii) consultation with the internal Catalist committee of the Sponsor; and (iii) taking into consideration the circumstances of the Company, the Sponsor is not aware of any circumstance which will render Mr. Lee as an unsuitable candidate as an independent director of the Company.</p>
	<p>Further, on 15 Aug 2016, China Sky announced the receipt of, amongst others, several legal proceedings by China Construction Bank against China Sky's subsidiaries. Subsequent updates revealed that the Group's properties were pledged to the bank as security for loan.</p> <p>From 2016 to 2018, China Sky also announced legal proceedings filed by the Company for fraudulent and / or unauthorised use of the</p>	

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	Group's funds and / or assets as collateral for securing loans of up to RMB1 billion.	
(ii)	Please explain Mr Lee's role in the matters leading to the above. Please elaborate on how the (a) NC, and (b) sponsor are satisfied that Mr. Lee is suitable as a director of a listed company given the above matters.	<p>Mr. Lee left China Sky in May 2015 and he was not aware of and involved in the matters above. Neither the SGX-ST nor China Sky contacted or queried him on any of the transactions mentioned.</p> <p>(a) NC: Mr. Lee had left China Sky by then and was not involved in the matters above. The NC considered Mr. Lee's professional qualifications such as his Degree in Technology (Management), his fellow membership of the Association of Chartered Certified Accountants, and that Mr. Lee is also a non-practising member of Institute of Singapore Chartered Accountants and non-practising member of Malaysian Institute of Accountants. The NC had also considered Mr. Lee's past working experiences as chief financial officer as well as financial controller in various listed companies and considered his skills to be complementary to the skills of the Board as an Independent Director as well as the Chairman of the AC.</p> <p>(b) Sponsor: The Sponsor understands from Mr. Lee that he had no involvement with the matters raised above as he had left China Sky by then, and that he was not contacted or queried by the SGX-ST or China Sky in relation to such matters.</p> <p>The Sponsor reviewed the resume and declaration form of Mr. Lee. An independent check (comprising public searches and third-party checks) were conducted on Mr. Lee and reviewed against the resume and declaration form provided. Further, an interview was conducted by the Sponsor with Mr. Lee and such interview minutes were confirmed by Mr. Lee. The Sponsor reviewed the background of Mr. Lee and it was noted that Mr. Lee had no prior experience as a director of the listed company. Notwithstanding, the Sponsor considered his financial experience in listed companies such as CFM Holdings limited, Transcorp Holdings Limited, China Sky Chemical Fibre Co., Ltd, Sen Yue Holdings Limited (FKA PNE Micron Holdings Ltd) and Oceanus Group Limited and that Mr. Lee will</p>

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		<p>be undergoing training on the roles and responsibilities of a director of a listed issuer to meet the mandatory training requirements under Rule 406(3)(a) of the Catalist Rules within the timeframe prescribed by the SGX-ST. After (i) review of the available documentation provided by Mr. Lee, independent checks on Mr. Lee and interview minutes with Mr. Lee in relation to his appointment, (ii) consultation with the internal Catalist committee of the Sponsor; and (iii) taking into consideration the circumstances of the Company, the Sponsor is not aware of any circumstance which will render Mr. Lee as an unsuitable candidate as an independent director of the Company.</p>
3	<p>It was also noted that Mr Lee was appointed as CFO of Transcorp Holdings Limited (“Transcorp”) between Jun 2015 and Nov 2015.</p> <p>On 24 December 2019, Transcorp announced that it has received a notice from the Commercial Affairs Department (“CAD”) to provide financial information from 2014 to 2018 as well as the corporate email accounts of past employees. The provision of the information was to assist CAD to ascertain the facts and circumstances of an ongoing investigation. Mr Lee’s tenure as the CFO of Transcorp falls within the period of investigation by CAD.</p>	
	<p>(i) Please explain Mr. Lee’s role and involvement in Transcorp during his tenure as the CFO, and whether he is involved in the CAD investigation given the above announcement.</p>	<p>Mr Lee was the CFO during 1 June 2015 to 3 November 2015. He is not involved in the CAD investigation mentioned by Transcorp in its announcement. Mr. Lee has not been contacted by CAD nor been approached to provide information by any authorities.</p>
	<p>(ii) Further to the responses to question 2, how is the NC satisfied that Mr. Lee is suitable as a director of a listed company given his prior appointment in Transcorp? Please provide the basis for the views.</p>	<p>As Mr. Lee is not involved in the CAD investigation, the NC considered Mr. Lee's professional qualifications such as his Degree in Technology (Management), his fellow membership of the Association of Chartered Certified Accountants, and that Mr. Lee is also a non-practising member of Institute of Singapore Chartered Accountants and non-practising member of Malaysian Institute of Accountants. The NC had also considered Mr. Lee's past working experiences as chief financial officer as well as financial controller in various listed</p>

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		companies and considered his skills to be complementary to the skills of the Board as an Independent Director as well as the Chairman of the AC.
	(iii) How is the Sponsor satisfied that Mr. Lee is suitable as a director of a listed company? To provide all details and consideration.	<p>The Sponsor was not aware of the CAD notice to Transcorp as it was only issued on 24 December 2019, which was after Mr. Lee's appointment. The Sponsor also understands from Mr. Lee that he has not been contacted by the CAD nor been approached to provide information by any authorities and is not involved in the CAD investigation.</p> <p>The Sponsor reviewed the resume and declaration form of Mr. Lee. An independent check (comprising public searches and third-party checks) were conducted on Mr. Lee and reviewed against the resume and declaration form provided. Further, an interview was conducted by the Sponsor with Mr. Lee and such interview minutes were confirmed by Mr. Lee. The Sponsor reviewed the background of Mr. Lee and it was noted that Mr. Lee had no prior experience as a director of the listed company. Notwithstanding, the Sponsor considered his financial experience in listed companies such as CFM Holdings limited, Transcorp Holdings Limited, China Sky Chemical Fibre Co., Ltd, Sen Yue Holdings Limited (FKA PNE Micron Holdings Ltd) and Oceanus Group Limited and that Mr. Lee will be undergoing training on the roles and responsibilities of a director of a listed issuer to meet the mandatory training requirements under Rule 406(3)(a) of the Catalist Rules within the timeframe prescribed by the SGX-ST. After (i) review of the available documentation provided by Mr. Lee, independent checks on Mr. Lee and interview minutes with Mr. Lee in relation to his appointment, (ii) consultation with the internal Catalist committee of the Sponsor; and (iii) taking into consideration the circumstances of the Company, the Sponsor is not aware of any circumstance which will render Mr. Lee as an unsuitable candidate as an independent director of the Company.</p>

Shareholders are advised to exercise caution when dealing with the Company's securities. Shareholders should seek advice from their stockbrokers, bankers, solicitors, accountants, tax advisers or other professional advisers if they have any doubt about the actions that they should take.

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BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Lee Chong Ping

Independent Non-Executive Director

29 December 2019

About Magnus Energy Group Ltd. (www.magnusenergy.com.sg)

Listed since 04 August 1999

Incorporated in 1983, SGX Catalist Board-listed Magnus Energy Group Ltd. (“**Magnus**”) is an investment holding company with a diversified portfolio comprising oil and gas equipment distribution, renewable energy and property and infrastructure development.

Magnus aims to maximise shareholder value through strategic investments in profitable projects and acquisitions globally with the goal of broadening the Group’s earnings base and shareholder value.

*This announcement has been reviewed by the Company’s sponsor, Stamford Corporate Services Pte Ltd (the “**Sponsor**”). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Mr. Bernard Lui.

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