

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

DISPOSAL OF A SUBSIDIARY

1. INTRODUCTION

The Board of Directors (the “**Board**” or each, a “**Director**”) of Magnus Energy Group Ltd. (the “**Company**”, together with its subsidiaries, the “**Group**”) wishes to announce that the Company, through its 60%-owned subsidiary Flagship Ecosystem Pte Ltd (“**FES**”), has on 1 December 2016 entered into a sale and purchase agreement (“**SPA**”) with Mr Theron Madhavan (the “**Purchaser**”) and PT Ecosystem International (“**PTESI**”), pursuant to which the Purchaser shall purchase 100% of the capital of PTESI, a subsidiary of FES (the “**Proposed Disposal**”). The adjusted net equity of PTESI as at 31 October 2016 is S\$58,364 (“**NAV**”) and the Proposed Disposal shall be satisfied by a cash consideration of S\$90,000 (“**Consideration**”), which represents a premium of 154% of the NAV. In addition, PTESI has an outstanding intercompany debt owing to the Company for an amount of approximately S\$0.14 million as at 31 October 2016 (“**Magnus Debt**”).

2. INFORMATION ON MR MADHAVAN

Mr Madhavan is director of both FES and PTESI. He is also owns 3.34% of the issued and paid up share capital of FES. Save for the above, Mr Madhavan has no business dealings with the Company other than the aforesaid directorship.

3. RULE 1006 OF THE LISTING MANUAL SECTION B: RULES OF CATALIST OF THE SGX-ST (“RULE 1006”)

This is a non-disclosable transaction as the relative figures computed under Rule 1006 are less than 5%.

4. SALIENT TERMS OF THE SPA

The Company, thru FES, shall dispose 100% of PTESI for a cash consideration of S\$90,000. This is arrived at arm’s length discussion with the management of PTESI.

Following Completion and as long as any part of the Magnus Debt remains outstanding, the Purchaser shall:

- (i) procure that the PTESI repays the full amount of the Magnus Debt within 24 months from the date of this Agreement or such other such other period as determined by the Company;
- (ii) provide a call option in favour of the Company to call for the sale of 51% of the share capital of PTESI from the Purchaser at a consideration of S\$1.00 at any time, which shall only expire upon the full payment of the Magnus Debt;
- (iii) procure PTESI to pay the Company a management fee and/or interest (such nature and amount to be agreed between the Parties) until the full repayment of the Magnus Debt; and
- (iv) procure that PTESI to provide full financial figures to the Company as part of the monthly review on the affairs of PTESI until the full repayment of the Magnus Debt.

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5. RATIONALE AND USE OF PROCEEDS

The Board and the management has assessed the going concern issue of FES as a group and is of the view that PTESI may continue to exert cash flow pressure on the Group, coupled with the weak equipment sales by FES resulting from a general weakness in the global economy and compliance enforcement of emerging markets.

In addition, there is a debt owing by FES to PTESI of approximately S\$0.6 million as at 31 October 2016 (“**FES Debt**”). Following the completion of the Proposed Disposal, the FES Debt shall be fully assumed by the Purchaser as provided for in the SPA. Hence, the Proposed Disposal shall realise cash for FES to continue to operate and relieve FES from the substantial owing to PTESI.

The Consideration is arrived at arm’s length and represents a 154% premium over the NAV of PTESI.

The Directors are of the opinion that, after taking into consideration the present bank facilities and the proceeds from the Proposed Disposal, the working capital available to the Group is sufficient to meet its present requirements.

6. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company or their respective associates has any interests, direct or indirect, in the Proposed Disposal, other than their respective interests in the shares of the Company.

Shareholders and potential investors should exercise caution when trading in shares of the Company, and where in doubt as to the action they should take, they should consult their financial, tax or other professional adviser immediately.

7. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA is available for inspection during normal business hours at the Company’s registered address at 76 Playfair Road #02-02 LHK 2 Building, Singapore 367996 for a period of three (3) months from the date of this announcement.

8. RESPONSIBILITY STATEMENT

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

BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Luke Ho Khee Yong
Chief Executive Officer
1 December 2016

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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, coal and gas assets, oil and gas equipment distribution, renewable energy and natural resources trading, property and infrastructure development, and industrial waste water treatment.

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 prepared by the Company and its contents have been reviewed by the Company’s 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 announcement.*

The announcement has not been examined or approved by 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.

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