
**OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED
AT 32 LOYANG CRESCENT SINGAPORE 508992**

1. INTRODUCTION

- 1.1** The Board of Directors of Magnus Energy Group Ltd (the "**Company**" and, together with its subsidiaries, the "**Group**") wishes to announce that Mid-Continent Equipment Group Pte. Ltd. ("**MCEG**" or the "**Seller**"), a 55.89% owned subsidiary of the Group, had on 21 August 2020, granted an option to purchase (the "**Option**") to Allmaster Pte. Ltd. (the "**Purchaser**" or "**Buyer**"), for the sale of MCEG's entire interest in the property located at 32 Loyang Crescent Singapore 508992 (the "**Property**") for an aggregate consideration of S\$6,328,888 (the "**Sale Price**") on the terms and subject to the conditions of the Option (the "**Proposed Disposal**").
- 1.2** In respect of the Option, an option fee amounting to S\$67,719 (the "**Option Fee**" inclusive of Goods and Services Tax of 7%), being 1% of the Sale Price, has been paid by the Purchaser on the same day of the Option which was signed on 21 August 2020 (the "**Contract Date**").
- 1.3** The Proposed Disposal, if undertaken and completed, is expected to constitute a discloseable transaction under Chapter 10 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**").
- 1.4** Shareholders should note that the Option issued by MCEG is not a valid and binding agreement for the sale and purchase of the Property, until the Purchaser properly exercises the Option in accordance with the terms and conditions therein. Upon the proper exercise of the Option by the Purchaser, the Option shall constitute a binding contract for the sale and purchase of the Property at the Sale Price (subject to the terms and conditions therein). Please refer to paragraph 3.2 of this announcement for the salient terms of the Proposed Disposal.

2. BACKGROUND TO THE PROPOSED DISPOSAL

2.1 Information on the Purchaser

The Purchaser is a company incorporated in Singapore and carries on the business of manufacturing signs and advertising displays. The Purchaser is an independent third party and is not related to the Company, the Group, its Directors, management or substantial shareholders.

OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED AT 32 LOYANG CRESCENT SINGAPORE 508992

2.2 Information on the Property

The Property is a leasehold property granted by the Jurong Town Corporation (“JTC”) with a 30-year lease tenure commencing from 1 November 1994 with a further term of 27 years. The Property, being located at 32 Loyang Crescent, Singapore 508992, is a 2-storey detached factory with a 4-storey rear extension block, with a land area of approximately 4,221.5 square metres and gross floor area of approximately 3,428.33 square metres.

The Property is currently used by MCEG to house office and warehouse facilities.

2.3 Valuation of the Property in relation to the Proposed Disposal

The Company had appointed Knight Frank Pte Ltd (the “**Valuer**”) to perform an independent valuation on the Property. The basis of the valuation is the Valuer’s opinion of the Market Value, which the Valuer has defined as follows:

“Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

The valuation methodology adopted by the Valuer is the direct comparison method. The valuation is carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS).

Based on the valuation report issued by the Valuer as at 5 August 2020 (the “**Valuation Report**”), the current market value of the Property was assessed to be S\$6,400,000 (“the **Market Value**”).

2.4 Rationale for the Proposed Disposal

The Board is of the view that the Proposed Disposal will be in the best interests of the Group for the following reasons:

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED AT 32 LOYANG CRESCENT SINGAPORE 508992

- A) With the sale of MCEG's Southeast Asia business as announced on 10 August 2018, the assets once held by MCEG, including but not limited to the Property, are no longer needed. The successful sale of the Property would provide funding for the Company to perform its business and operations more effectively.
- B) The offer for the Property at S\$6,328,888 is close to the valuation by the independent valuer appointed by the Company at S\$6,400,000, representing a slight discount of 1.11%. The Board considers the Sale Price is reasonable and fair value for the Property, and the Proposed Disposal is not prejudicial to the Company and its Shareholders. Please refer to paragraph 6 of this announcement for more details on the financial information of the Property and the Proposed Disposal.

3. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

3.1 Sale Price

The Sale Price of S\$6,328,888, together with the applicable goods and services tax ("GST"), was arrived at pursuant to arm's length negotiations between the Seller and the Purchaser on a willing buyer willing seller basis, after taking into account the Valuation Report, prevailing market conditions (including the availability of ready Purchasers), and the rationale for the Proposed Disposal as disclosed in paragraph 2.4 above.

After the deduction of the Option Fee and the Deposit (as defined in paragraph 3.2.1 (b) below), the balance of the Sale Price (together with the GST thereon) shall be paid by the Purchaser to the Seller (or such other parties as the Seller may direct) by way of cashier's order on a date that is:

- (a) six (6) months from the date of the Option; or
- (b) eight (8) weeks from the date of the Seller's written notice to the Purchaser confirming (i) fulfilment of all conditions contained in the JTC In-principle Approval and (ii) the receipt of the JTC Confirmation (as defined below in paragraph 3.2.3 (b) of this announcement); or

**OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED
AT 32 LOYANG CRESCENT SINGAPORE 508992**

- (c) (where the Environmental Baseline Study required by JTC (the “**Study**”) shows the presence of contaminants at the Property and decontamination works are required by JTC to be carried out by the Seller), four (4) weeks from the date where JTC confirms that the decontamination works carried out by the Seller are satisfactory to JTC or the relevant authorities; or
- (d) (where the Study shows the presence of contaminants at the Property but no decontamination works are required to be carried out by the Seller), four (4) weeks from the date when notification in writing is received from JTC or the relevant authorities confirming that no decontamination works are required to be carried out by the Seller,

whichever is the latest (the “**Completion Date**”). Upon payment of the balance of the Sale Price (together with the GST thereon) and all other sums payable under this Option by the Purchaser in the manner prescribed by the Seller, the Seller shall deliver to the Purchaser a duly executed Instrument of Transfer in respect of the Property. Such Instrument of Transfer is to be prepared by and at the expense of the Purchaser, the draft of which is to be submitted to the Seller’s Solicitors within three (3) weeks from the date of the exercise of the Option, and the engrossment thereof not less than two (2) weeks prior to the Completion Date.

3.2 Other salient terms of the Proposed Disposal

Pursuant to the Option, the other salient terms of the Proposed Disposal are, *inter alia*, as follows:

3.2.1 The Option is to be exercised by the Purchaser by signing the portion of this Option marked “**ACCEPTANCE**” and delivering the following to the Seller’s solicitors, **DENTONS RODYK & DAVIDSON LLP** of 80 Raffles Place, #33-00 UOB Plaza 1, Singapore 048624 (Attn: Ms Melanie Lim) (the “**Seller’s Solicitors**”) by 4.00 p.m. on or before 23 September 2020 (the “**Expiry Date**”):

- (a) this Option with its Acceptance duly signed and witnessed; and
- (b) 5% of the Sale Price (as defined below) less the Option Fee (the “**Deposit**”), by way of a cheque / cashier’s order made in favour of “DENTONS RODYK & DAVIDSON LLP – CVY”, which shall be held by the Seller’s Solicitors as stakeholders pending completion.

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED AT 32 LOYANG CRESCENT SINGAPORE 508992

3.2.2 The exercising of this Option by the Purchaser shall constitute a binding contract for the sale and purchase of the Property at the Sale Price (as defined below) and no further contracts or agreements shall be signed. If the Purchaser does not exercise this Option in the manner above by the Expiry Date, then:

- (a) this Option shall be null and void;
- (b) the Option Fee shall be forfeited by the Seller and retained by the Seller absolutely; and
- (c) neither party shall have any claim against the other in respect of this Option.

3.2.3 The sale and purchase herein is subject to the following:-

- (a) the Seller and the Purchaser obtaining the written in-principle approval (the **"In-principle Approval"**) from JTC for (i) the Seller to sell and the Purchaser to purchase the Property and (ii) the Purchaser's proposed use of the Property for "production of exhibitions and advertising displays and signages, warehouse for events logistics and digital printing, and ancillary use as dormitory for company's workers"; and
- (b) the Seller and the Purchaser obtaining the written confirmation from JTC that JTC has no objection to the execution of the Instrument of Transfer, or such other confirmation of similar nature (the **"JTC Confirmation"**).

4. RELATIVE FIGURES UNDER RULE 1006 OF THE CATALIST RULES

Based on the latest announced unaudited financial statements of the Group for the third quarter and nine months ended 31 March 2020 ("**9M2020**") (the "**9M2020 Results**"), the relative figures of the Proposed Disposal as computed on the bases set out in Rule 1006 of the Catalist Rules are as follows:

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of, compared with the Group's net asset value.	45.38 ⁽¹⁾

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED AT 32 LOYANG CRESCENT SINGAPORE 508992

(b)	The net profits/losses attributable to the assets acquired or disposed of, compared with the Group's net profits/losses.	5.59 ⁽²⁾
(c)	The aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	28.00 ^{(3),(4)}
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves.	Not applicable

Notes:

- (1) Pursuant to Rule 1003(2) of the Catalist Rules, the value was based on the Property's Market Value attributable to the Group, represented by the Company's 55.89% shareholding interest in MCEG, amounting to S\$3,576,960, vis-à-vis the net asset value of the Group of S\$7,882,000 as at 31 March 2020.
- (2) Based on the net losses attributable to the Property of S\$116,480.00 and net losses of the Group of S\$2,083,000 for 9M2020.
- (3) The market capitalisation of the Company of S\$12,632,507 is determined by multiplying 12,632,507,107 ordinary shares in issue by the volume weighted average price of the shares of approximately S\$0.001 per share on 16 August 2019, being the last traded full market day immediately preceding the Contract Date, due to the trading halt on 19 August 2019 and thereafter, suspension.
- (4) Based on the Company's share of the aggregate value of the consideration received for the sale of the Property amounting to S\$3,537,216 or 55.89% of the Sale Price, which is based on the Company's 55.89% shareholding interest in MCEG.

Having regard to the above, as the relative figures computed on the bases as set out under Rule 1006 (a) to (c) in respect of the Proposal Disposal (a) involve negative figures; (b) exceed 5% but do not exceed 50%; and (c) involve the disposal of a loss-making asset by an issuer (whether profitable or loss-making), the Proposed Disposal falls under paragraph 4.4(e) of Practice Note 10A and constitutes a disclosable transaction within the meaning of Chapter 10 of the Catalist Rules. As such, no

**OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED
AT 32 LOYANG CRESCENT SINGAPORE 508992**

approval from shareholders of the Company will be required for the Proposal Disposal.

5. USE OF PROCEEDS

MCEG will receive net proceeds of S\$6,078,888 from the Proposed Disposal, after deducting the estimated expenses of approximately S\$250,000 to be incurred in connection with the Proposed Disposal. The Group's share of the net proceeds, based on its 55.89% shareholding interest in MCEG, will amount to approximately S\$3,397,491 ("**Share of Proceeds**"). MCEG will discuss and decide on the means to remit the net proceeds to its shareholders such as, but not limited to, declaration of dividends and/or capital reduction exercise. The Group intends to use its Share of Proceeds for its general working capital requirements.

6. FINANCIAL INFORMATION

6.1 Book value of the Property and excess of Sale Price over book value

Based on the 9M2020 Results and as at 31 March 2020, the book value and net tangible asset value of the Property attributable to the Company amounted to approximately S\$2,247,972, being 55.89% of direct interest in the Property. . The Share of Proceeds represents an excess of S\$1,149,518 vis-à-vis the book value of the Property as at 31 March 2020. Accordingly, the Group will record a net gain on the Proposed Disposal of approximately S\$1,149,518.

6.2 Financial effects of the Proposed Disposal

The *pro forma* financial effects of the Proposed Disposal on the Group set out below are purely for illustrative purposes only and are therefore not indicative of the actual future financial position of the Company or the Group after the completion of the Proposed Disposal. In accordance with Rule 1010(8) and 1010(9) of the Catalist Rules, the *pro forma* financial effects of the Proposed Disposal have been prepared based on the audited consolidated financial statements of the Group for the financial year ended 30 June 2019 ("**FY2019**"), and on the following bases and assumptions:

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED AT 32 LOYANG CRESCENT SINGAPORE 508992

- (a) the financial effect on the consolidated net tangible assets (“**NTA**”) per Share is computed based on the assumption that the Proposed Disposal is completed on 30 June 2019;
- (b) the financial effect on the consolidated loss per share (“**LPS**”) is computed based on assumption that the Proposed Disposal is completed on 30 June 2019; and
- (c) the expenses to be incurred in connection with the Proposed Disposal, including lodgment fees and commission payable to the property agent, any outstanding land rental, property taxes and the upkeep of the security and pest control up until the completion of the sale, are estimated to be approximately S\$250,000.
- (i) NTA per Share

The financial effect of the Proposed Disposal on the NTA per share are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
NTA (S\$'000)	10,268	11,418
Number of shares ('000)	12,632,507	12,632,507
NTA per share (cents)	0.08	0.09

- (ii) LPS

The financial effects of the Proposed Disposal on the LPS are as follows:

	Before the Proposed Disposal	After the Proposed Disposal
Net Profit/(loss) attributable to shareholders of the Company (S\$'000)	(17,465)	(16,316)

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(Registration No. 198301375M)

OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED AT 32 LOYANG CRESCENT SINGAPORE 508992

Weighted average number of Shares (excluding treasury Shares) ('000)	12,632,507	12,632,507
LPS (cents)	(0.14)	(0.13)

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

None of the Directors or controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal, save for their respective shareholdings in the Company (if any).

8. SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. Accordingly, no service contract is proposed to be entered into between the Company and any such person in connection with the Proposed Disposal

9. DOCUMENT AVAILABLE FOR INSPECTION

A copy of the Option and the Valuation Report will be made available for inspection during normal business hours at the Company's registered office at 32 Loyang Crescent Singapore 508992 for three (3) months from the date of this announcement.

10. DIRECTORS' 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, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this 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.

MAGNUS ENERGY GROUP LTD.

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**OPTION TO PURCHASE IN RELATION TO THE PROPOSED DISPOSAL OF PROPERTY LOCATED
AT 32 LOYANG CRESCENT SINGAPORE 508992**

11. UPDATES

The Company will make further announcements in relation to the Proposed Disposal as and when there are material developments.

Shareholders and potential investors should exercise caution when trading in the 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.

BY ORDER OF THE BOARD

Magnus Energy Group Ltd.

Charles Madhavan
Chief Executive Officer
21 August 2020

*This announcement has been prepared by the Company and reviewed by the Company's sponsor, Novus Corporate Finance Pte. Ltd. (the "**Sponsor**"), in compliance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalyst.*

This 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.

The contact person for the Sponsor is Mr Pong Chen Yih, Chief Operating Officer, at 9 Raffles Place, #17-05 Republic Plaza Tower 1, Singapore 048619, telephone (65) 6950 2188.