

**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, 24 December 2019 and 29 December 2019 (“**Previous Announcements**”).

The Company wishes to respond to the following queries dated 30 December 2019 and 7 January 2020 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
	<p>The Company responded that Mr. Lee was appointed as the FC of China Sky and was not the CFO. During the period of Mr. Lee’s tenure as FC of China Sky, there were no CFO. Accordingly, Mr. Lee would be the most senior finance personnel performing the role of a CFO. On 12 Feb 2015, SGX had imposed as a condition on China Sky that the Board must appoint a suitable CFO acceptable to SGX, within 6 months of trading resumption and a disclosure via SGXNet of the Board’s view of adequacy of the Company’s current resource in its finance function.</p>	
	<p>1. To elaborate on the concerns that led to SGX imposing the condition for appointment of a suitable CFO in China Sky.</p>	<p>To the best of Mr. Lee’s knowledge, he does not know the concerns that led to SGX imposing the condition for appointment of a suitable CFO in China Sky and he was also not informed by China Sky on such concerns by SGX.</p>
	<p>2. Was Mr. Lee proposed as the CFO to be appointed to China Sky to satisfy SGX’s condition? If not, why not? If so, why was he not appointed?</p>	<p>Yes, Mr. Lee was proposed by certain directors of China Sky (the “<b>PRC Directors</b>”)<sup>(1)</sup>. Please refer to answer in question 3 below.</p>
	<p>3. Could Mr. Lee check with the Nominating Committee of China Sky and confirm if there were any discussions internally and / or with SGX on his appointment as FC / CFO?</p>	<p>Mr. Lee has met (on 30 December 2019) with the relevant nominating committee members<sup>(2)</sup> of China Sky and they have confirmed that in 2015, the NC had insisted that the Board of China Sky must appoint a CFO. The PRC Directors then proposed Mr. Lee to be the CFO. The nominating committee members of China Sky proceeded to check verbally with SGX and was advised by SGX that Mr. Lee might not be ready to hold that position as he had not been a CFO before. The nominating committee members of China Sky then proposed several candidates for the PRC Directors to consider but was not able to obtain any response from them then. Prior to the</p>

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		meeting on the abovementioned date, Mr. Lee was not aware of the above as the NC did not disclose to him at that time.
	Noted that Mr. Lee is associated with various companies which were, before, during or subsequent to his tenure, subject to investigations by the authorities. How does Mr. Lee source for his appointments / how was he introduced to companies in which he was / is appointed? What are Mr. Lee's considerations in accepting such appointments?	<p>In the case of China Sky, Mr. Lee was introduced to the PRC Directors by the then company secretary of China Sky, who was a business acquaintance of Mr. Lee. Mr. Lee's consideration in accepting such appointment was because of career advancement from a corporate accounts manager to a financial controller.</p> <p>In the case of Transcorp, Mr. Lee was introduced to the job in 2015 by an independent director of Transcorp then, who was a business acquaintance of Mr. Lee. Mr. Lee's consideration in accepting such appointment was because of career advancement as he was appointed as the CFO of Transcorp.</p>
	<p>Lee Chong Ping was the head of Finance in China Sky and prepared the FY2014 Results for the Group. His responsibility was to oversee the accounting and finance matters of the Company.</p> <p>The FY2014 Results of China Sky for the year ended 31 Dec 2014 were reviewed by the Auditors and raised concerns to the AC who also had the same concerns over 5 highlighted areas (including cash and bank balances; (b) sales and purchases invoices; (c) account receivables and payable; (d) advances to suppliers; and (e) the status of qingdao land) and an expanded scope audit was to be carried out. At this critical juncture, Lee Chong Ping, the head of Finance quickly resigned on 30 May 2015 "to pursue other career opportunities". He also stated that there was no matters which should be brought to the attention of shareholders relating to his cessation. It was subsequently uncovered that China Sky's financial statements were materially fraudulent with unrecorded significant bank loans and misrepresented cash balances, among other things.</p> <p>In view of the significant fraud present in the FY2014 financial statements of China Sky prepared by Lee Chong Ping and coupled with his hurried resignation at the point when China Sky needed him to sort out the audit issues that were being raised, please provide explanation from (a) the NC of Magnus; and (b) the Sponsor of</p>	<p>a) NC of Magnus:</p> <ol style="list-style-type: none"> <li>1. To clarify, Mr. Lee was not the Head of Finance. He was in charge of accounting and finance at listed company level. There was another financial controller based in China in charge of the accounting matters for the operating subsidiaries. Both of Mr. Lee and the financial controller in China reported to the Audit Committee.</li> <li>2. Further, Mr. Lee would also like to clarify that he did not leave China Sky in a hurry. He received an offer for a CFO position at Transcorp which was considered a career advancement move for him. He then tendered his resignation and served proper notice before and effectively leaving China Sky on 30 May 2015.</li> <li>3. The FY2014 financial statements was not signed off by Mr. Lee as the unaudited results was announced only on 30 June 2015, and the FY2014 auditors' report was issued on 14 August 2015 and announced on 15 August 2015. Mr. Lee left China Sky on 30 May 2015. All these were after Mr. Lee's departure from China Sky.</li> </ol>

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<p>Magnus, on why they are of the view that Lee Chong Ping is suitable to be a director of Magnus Energy. Pls explain why despite the above adverse developments in China Sky during Lee Chong Ping's tenure as Head of Finance, the (a) NC of Magnus and (b) Sponsor of Magnus did not cast doubts on his suitability as well as on whether he possesses the character and integrity expected of a director of a listed company.</p>	<p>Other than the abovementioned explanations, the NC also considered his professional qualifications and his past financial experience in listed companies a valuable asset and was satisfied that Mr. Lee is suitable to be a director of Magnus and the Chairman of the Audit Committee. Based on NC's assessment, there were no doubts on Mr. Lee's character and integrity.</p>
<p>b) Sponsor:</p>	<p>The Sponsor had conducted an independent check (including public searches and third-party checks) on Mr. Lee and there were no adverse findings raised (including that there were no investigations by any relevant authorities on Mr. Lee). It was also noted that the FY2014 financial statements and auditors' report were issued and announced subsequent to Mr. Lee's departure from China Sky.</p>
	<p>Specifically, 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;</p>

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		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.
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**Notes:**

- (1) The applicable directors of China Sky based in the People’s Republic of China at the material time.
- (2) The applicable nominating committee members of China Sky at the material time.

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.

**BY ORDER OF THE BOARD**

Magnus Energy Group Ltd.

Lee Chong Ping  
Independent Non-Executive Director  
8 January 2020

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**About Magnus Energy Group Ltd. ([www.magnusenergy.com.sg](http://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.

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*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.*

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