
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 immediately preceding the extraordinary general meeting of the Company (“**EGM**”) held on 9 January 2020 (“**Board**”)¹ 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, 29 December 2019 and 8 January 2020 (“**Previous Announcements**”).

The Company wishes to update shareholders that further to its announcement on 8 January 2020 regarding the following queries dated 8 January 2020 from the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on the appointment of Mr. Lee Chong Ping (“**Mr Lee**”) as Independent Non-Executive Director (“**ID**”) (the “**Outstanding Queries**”), Mr Lee has retired pursuant to Regulation 83 of the Constitution of the Company and was not re-elected by the shareholders of the Company at the extraordinary general meeting held on 9 January 2020. Notwithstanding, Mr Lee wishes to address the Outstanding Queries:

No.	Queries From SGX-ST	Response from the Company
1.	In the Company’s response to SGX RegCo’s queries, published on 8 Jan 2020, it was represented that “[t]o clarify, Mr. Lee was not the Head of Finance. He was in charge of accounting and finance at listed company level” and “[t]he 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 Chong Ping left China Sky on 30 May 2015. Please respond to the following questions:	The response to this Query 1 is based on the representations and confirmations given by Mr Lee.
	a) As the person “in charge of accounting and finance at listed company level”, please clarify whether Mr Lee Chong Ping was the Financial Controller who prepares the financial statements announced the China Sky in the Results announcements;	Mr Lee was the Financial Controller in charge of accounting and finance at the listed company level. There was another financial controller based in China and in charge of the finance, accounting and management reporting matters for the subsidiaries in China (“ China FC ”). The position of chief financial officer was vacant at the material point in time and as an interim measure, both Mr Lee and the China FC reported to the audit committee of China Sky in their respective roles. In doing so, both financial controllers would attend board meetings and attend to queries from the board (if any). This was the reporting structure of both financial controllers at China Sky during Mr Lee’s tenure as financial controller, from September 2012 to May 2015.

¹ All references to the “Board” in this announcement shall refer to the board of directors of the Company immediately preceding the EGM held on 9 January 2020. Similarly, all references to the “nominating committee” (“**NC**”) shall refer to the nominating committee established by the Board prior to the EGM held on 9 January 2020.

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		<p>There was a segregation in responsibilities between Mr Lee and the China FC. Mr Lee’s role was focused on consolidation of the accounts at the listed company level based on the management reports of the operating subsidiaries in China which were prepared by the China FC.</p>
	<p>b) To clarify if Mr Lee Chong Ping had prepared the FY2014 financial statements that were submitted to the China Sky auditors for the audit that was ongoing at the point of Mr Lee Chong Ping’s resignation as the Financial Controller of the Company.</p>	<p>At the listed company level, Mr Lee had prepared a draft of the FY2014 consolidated financial statements. This draft was submitted to the China Sky auditors for the audit. However, the draft consolidated financial statements were based on the management reports of the operating subsidiaries in China prepared by the China FC. According to Mr Lee, he was not involved in the preparation of the management reports. The China FC had then liaised directly with the China Sky auditors. Mr Lee notes that the draft consolidated financial statements would have been subject to changes made to the management reports (if any).</p>
	<p>c) We refer to China Sky’s announcement on 6 March 2015 which disclosed that in respect of its application for an extension of time to announce its FY2014 Results, “The Company had convened a final meeting for FY2014 on the 25th February of 2015. During the Audit Committee (“AC”) meeting to review the FY2014 Results, the AC had raised a number of queries contained in the FY2014 Results which was prepared by the management. The queries were relating to additional audit procedure to be performed and/or explanation from the management in the following matters:- (a) Cash and Bank Balances (b) Sales and Purchases Invoices (c) Account Receivables and Payable (d) Advances to Suppliers (e) The Status of Qingdao land”.</p> <p>China Sky had previously announced on 28 February 2015 that the audit issues of serious concerns were uncovered and discussed with the AC on 25 February 2015. Mr Lee Chong Ping resigned subsequently as the Financial Controller of China Sky, on 28 May 2015. To disclose if Mr Lee Chong Ping was aware that serious concerns had been noted by the auditors and the audit committee in China</p>	<p>Mr Lee was only made aware of the audit concerns after the auditors raised them at the audit committee meeting on 25 February 2015. He was not aware of such concerns prior to them being raised.</p> <p>Based on Mr Lee’s recollection, the FY2014 results were not tabled to the Audit Committee on 25 February 2015. Instead, what was tabled had been the audit findings report. During the meeting, queries were raised by the Audit Committee in relation to the operational subsidiaries. Specifically, the queries for (a) 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 – were all in relation to the China subsidiaries. As these related to the China subsidiaries, the China FC participated in the meeting and was in charge of responding to the queries from the Audit Committee. Mr Lee was not involved in addressing such queries.</p> <p>Based on Mr Lee’s recollection, the concerns (a) to (d) set out in the above had been addressed by the time of his resignation on 30 May 2015. Mr Lee also notes that the board of China Sky indicated at page 19 of the FY2014 annual report of China Sky that the management “had</p>

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	<p>Sky's FY2014 Financial Statement when he resigned from China Sky;</p>	<p>implemented appropriate actions to rectify the weaknesses highlighted", and that these issues were not raised in the basis for qualified opinion in the audited financial statements of China Sky for FY2014.</p>
	<p>d) Please elaborate on Mr Lee Chong Ping's role and involvement in the audit procedures that was ongoing prior to his sudden resignation on 28 May 2015;</p>	<p>As noted above, Mr Lee was the Financial Controller in charge of accounting and finance at the listed company level. As mentioned at 1(a), the China FC based in China was in charge of the accounting matters for the subsidiaries in China.</p> <p>There was a segregation in responsibilities between Mr Lee and the China FC. Mr Lee's role was focused on consolidation of the accounts at the listed company level based on the management reports of the operating subsidiaries in China prepared by the China FC. Queries relating to group consolidation were addressed by Mr Lee, while queries relating to the accounts at the operating subsidiary level were addressed by the China FC, and the China FC had then liaised directly with the China Sky auditors.</p> <p>Further, Mr. Lee would like to clarify as follows:</p> <p>(a) On or around early April 2015, Mr Lee was approached with an unsolicited offer for a CFO position at Transcorp which involved an increase in position and salary. An official letter of offer was received on 27 April 2015. Given the career advancement opportunity, Mr Lee decided to tender his resignation for a change in his career on 28 April 2015.</p> <p>(b) Mr Lee had then served proper notice of one month and effectively left China Sky on 30 May 2015.</p> <p>Accordingly, Mr Lee believes that his resignation from China Sky should not be seen as 'sudden'.</p>
<p>2.</p>	<p>Serious concerns on the financial statements of China Sky were noted by the auditors and the Audit Committee of China Sky, as disclosed in its announcement of 6 March 2015. As a result of the scrutiny, China Sky's FY 2014 Financial Statements which was prepared for the Results announcement could not be announced by 1 March 2015 as required under Listing Rule 705(2). Mr Lee Chong Ping had disclosed in his resignation declaration that as the Financial</p>	<p>As disclosed above, based on Mr Lee's recollection, he was only made aware of the audit concerns on 25 February 2015, when the auditors presented their concerns to the audit committee. The concerns related completely to the Chinese subsidiaries and Mr Lee was not involved in addressing them. Mr Lee had been appointed financial controller of China Sky in September 2012. He had tendered his resignation on 28 April 2015, after receiving an official offer from</p>

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	<p>Controller he was responsible for overseeing accounting and finance matters of the Company. Please justify robustly why the statement in Magnus’ Announcement of 8 Jan 2020 that “The FY2014 financial statements was not signed off by Mr. Lee as the unaudited results was announced only on 30 June 2015” is balanced and fair and is not misleading. To provide basis for the board’s views;</p>	<p>Transcorp on 27 April 2015, served his notice period of one month fully, and effectively ceased to be FC of China Sky on 30 May 2015.</p> <p>Due to the queries raised, additional time was required to attend to the queries and complete the unaudited financial accounts. Therefore, the unaudited results were only signed off and released on 30 June 2015, a month after Mr Lee’s departure from China Sky. The sign-off was done by the then existing board as at 30 June 2015.</p> <p>Further, as disclosed above, Mr Lee’s role was focused on consolidation of the accounts at the listed company level based on the management reports of the subsidiaries in China prepared by the China FC. Queries relating to group consolidation were addressed by Mr Lee, while queries relating to the accounts at the operating subsidiary level were addressed by the China FC. As noted above, the China FC had then liaised directly with the China Sky auditors. The concerns raised by the China Sky auditors were addressed by the China FC and the audit committee, and Mr Lee was not involved in the addressing of the concerns raised.</p> <p>In light of the above, the Board is of the view that the statement in the Company’s announcement of 8 January 2020 is fair, balanced and not misleading.</p>
<p>3.</p>	<p>In his resignation as the Financial Controller of China Sky, Mr Lee Chong Ping had declared that there were no “unresolved differences in opinion on material matters, between him and the board of directors including matters which would have a material impact on the group or its financial reporting” and that nothing needs to be brought to the attention of shareholders. To disclose whether the board of Magnus and its Sponsor were aware of Lee Chong Ping’s role in the preparation of China Sky’s FY2014 financial statements and that there were serious concerns were noted by the Audit Committee and auditors of China Sky when it made its announcement of 8 January 2020. Has the board and Sponsor of Magnus taken this information into account in relation to their attestation to Mr Lee Chong Ping’s suitability to be appointed as a director of Magnus?;</p>	<p>The NC at time of interviewing Mr Lee, was aware China Sky was a troubled company and was under investigation and trading was suspended. However, it was not aware of Mr Lee’s role in the preparation of China Sky’s FY2014 financial statement. NC was not aware of the specific details on China Sky but queried Mr Lee if he was involved in any investigation. Mr Lee assured the NC that he was not involved in any of the concerns.</p> <p>Mr Lee’s declaration of his non-involvement in any investigation was taken into consideration together with his professional qualifications and his past financial experience in listed companies to be a valuable asset and was satisfied that Mr. Lee is suitable to be a director of Magnus and the Chairman of the Audit Committee.</p> <p>Sponsor:</p>

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		<p>The Sponsor was not aware of Mr Lee’s role in the preparation of China Sky’s FY2014 financial statements. The Sponsor had noted that the FY2014 financial statements and auditors’ report were issued and announced subsequent to Mr Lee’s departure from China Sky. The Sponsor had also 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).</p> <p>These were taken into consideration as a whole. Further to these independent searches and internal reviews, the Sponsor was not aware of any circumstance which would render Mr Lee as an unsuitable candidate as an independent director of the Company (including any adverse involvement or participation in the preparation of China Sky’s FY2014 financial statements or adverse actions resulting in the serious concerns noted by the Audit Committee and auditors of China Sky).</p>
4.	<p>If Mr Lee was aware of the serious concerns raised by the auditors and the Audit Committee of China Sky in relation to the FY2014 Financial Statements prepared by him, please reconcile this to Magnus’ misleading disclosure that “[a]ll these were after Mr. Lee’s departure from China Sky”.</p>	<p>Mr Lee was only made aware of the audit concerns after the auditors raised them at the audit committee meeting on 25 February 2015. The issues raised related to the operating subsidiaries in China. As Mr Lee was in charge of consolidation at the listed company level and was not in charge of the Chinese operations at subsidiary level, he was not in a position to address the concerns of the auditors, and left it to the China FC to respond to their concerns. This was the reporting structure of both financial controllers at China Sky during Mr Lee’s tenure as financial controller, from September 2012 to May 2015.</p> <p>As set out in the above, the sign-off on the financial statements was done by the existing board as at 30 June 2015, and was done a month after Mr Lee had left China Sky.</p>
5.	<p>Please explain why the statement made by Magnus/Mr Lee Chong Ping that “[a]ll these were after Mr. Lee’s departure from China Sky” is not false or misleading;</p>	<p>The statement is not false or misleading as it is a statement of fact that the unaudited results were announced released on 30 June 2015, and the FY2014 auditors’ report was issued on 14 August 2015 and released on 15 August 2015, which is after Mr Lee had left China Sky on 30 May 2015.</p>

MAGNUS ENERGY GROUP LTD.

(Incorporated in Singapore)

(Registration No. 198301375M)

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6.	<p>In view of Mr Lee Chong Ping's role as the Financial Controller of China Sky, the serious concerns raised by the auditors and audit committee on the FY2014 financial statements and Mr Lee Chong Ping's role as the person responsible for preparing the FY2014 financial statements of China Sky, has the NC of Magnus and Sponsor of Magnus reviewed whether his sudden resignation in the midst of an extended scope audit will cast any doubt on Mr Lee Chong Ping's ability to handle the issues of serious concerns faced by Magnus? In view of his role in preparing the financial statements of China Sky where serious concerns were flagged by the auditors and fraud was subsequently uncovered, please provide the NC's and Sponsor's view as to the suitability of Mr Lee Chong Ping to be appointed an ID of Magnus and provide your views on whether he possesses the character and integrity expected of a director of a listed company. Please provide basis and substantiate your views.</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.</p> <p>The audit concerns that were raised when he was at China Sky were to be addressed by the China FC and the audit committee at that point in time as his responsibilities were limited to consolidation at a listco level. In view of this, the NC does not view the above incident as a blight on his professionalism in not seeing through with the resolution of the China Sky issues which were handled by the China FC and audit committee of China Sky.</p> <p>Sponsor:</p> <p>The Sponsor notes that Mr Lee had served the proper notice period before effectively leaving China Sky on 30 May 2015 and the departure was due to a career advancement opportunity.</p> <p>The Sponsor had also conducted independent checks (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). After (i) review of the available documentation provided by Mr Lee (including his resume where the Sponsor noted his latest CFO appointment at CFM Holdings Ltd from May 2016 to January 2020), independent checks on Mr Lee and interview minutes with Mr Lee in relation to his appointment, (ii) consultation with the internal Catalyst committee of the Sponsor; and (iii) taking into consideration the circumstances of the Company, the Sponsor was not aware of any circumstance which would lead to an adverse conclusion on Mr Lee's character or integrity as an independent director of the Company or render Mr Lee as an unsuitable candidate as an independent director of the Company.</p> <p>From the Sponsor's understanding of the matter, the issues affecting China Sky, although during his watch, were not something that he was personally in charge of, as there was a division of functions and responsibility between Mr Lee and China FC, and queries raised during the audit</p>
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		<p>related to the Chinese subsidiaries. Under the division of responsibilities during Mr Lee’s tenure as financial controller at China Sky, the China FC reported directly to the audit committee of China Sky. The Sponsor notes the career advancement opportunity offered to him by Transcorp and is unable to conclude, based on all information at hand, that Mr Lee’s resignation from China Sky is one that affects his ability or integrity.</p> <p>Notwithstanding, the Sponsor notes that Mr Lee has retired pursuant to Regulation 83 of the Constitution of the Company and was not re-elected by the shareholders of the Company at the extraordinary general meeting held on 9 January 2020.</p>
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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.

Ong Wei Jin
Company Secretary
On behalf of the Board
13 January 2020

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.*

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