

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, 29 December 2019 and 8 January 2020 (“**Previous Announcements**”).

The Company wishes to update shareholders that further to its announcement on 8 January 2020, it has received the following queries dated 8 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**”):

No.	Queries From SGX-ST
1.	<p>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:</p>
	<p>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;</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>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 Sky’s FY2014 Financial Statement when he resigned from China Sky;</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>
2.	<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</p>

MAGNUS ENERGY GROUP LTD.

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	disclosed in his resignation declaration that as the Financial 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;
3.	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?;
4.	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".
5.	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;
6.	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.

The Company is in the midst of preparing their responses in consultation with Mr. Lee Chong Ping, and will provide Shareholders with the responses to the queries raised as soon as possible.

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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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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