

REPLY TO SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S QUERIES OF 1 SEPTEMBER 2005

Singapore Exchange Securities Trading Limited ("SGX-ST") had, on 1 September 2005, requested for explanation on the variances of certain Balance Sheet items relating to the full year financial statement and dividend announcement of Magnus Energy Group Ltd. (the "Company") made on 28 August 2005:-

Balance Sheet Items

(a) Goodwill on consolidation

The goodwill on consolidation decreased from S\$4.75 million to S\$1.86 million was due to:

	S\$'000
Unamortised goodwill for an associated company disposed during the year which was included in the loss on disposal of quoted investment	2,883
Goodwill written off	11

	2,894
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(b) Development properties

The decrease in development properties of S\$1.77 million was due to the sale of the last 2 units at an aggregated selling price of S\$1.77 million

(c) Projects-in-progress and Progress billings in excess of costs

The details of the projects-in-progress and progress billings in excess of costs are as follows:-

	FY2005 S\$'000	FY2004 S\$'000
<i>Projects-in-progress</i>		
Project costs	92,270	91,116
Attributable profits	8,369	10,573
Less: Provision for foreseeable project losses	(590)	-
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	100,049	101,689
Less: Progress billings received and receivable	(89,510)	(94,572)
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	10,539	7,117
	=====	=====
 <i>Progress billings in excess of costs</i>		
Progress billings received and receivable	56,196	32,878
Less: Project costs	(50,671)	(30,036)
Less: Attributable profits	(2,616)	(1,555)
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	2,909	1,287
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The increase in projects-in-progress and progress billings in excess of costs was in line with the increase in turnover from S\$81.33 million to S\$135.61 million and increase in cost of sales from S\$74.27 million to S\$118.51 million.

(d) Trade Debtors

The trade debtors increased from S\$14.94 million to S\$20.43 million was in line with the increase in turnover from S\$81.33 million to S\$135.61 million.

(e) Trade Creditors

The trade creditors increased from S\$8.16 million to S\$16.10 million was in line with the increase in cost of sales from S\$74.27 million to S\$118.51 million.

(f) Other Creditors

The decrease in other creditors from S\$6.17 million to S\$4.70 million was due to lower accrued operating expenses.

(g) Due to affiliated company (non-trade)

The decrease in the amount due to affiliated company (non-trade) from S\$3.64 million to S\$1.73 million was savings arising from early payment discount granted by an affiliated company.

(h) Due to joint venture companies (trade)

The increase in the amount due to joint venture companies (trade) from S\$0.69 million to S\$4.38 million was attributable to the higher trade volume with an Australian customer by a joint venture company.

Disclosure In Compliance With Rule 704(15)

Due to an oversight, the Company had omitted the quoted investments of a subsidiary with an aggregate cost of S\$1.69 million in the last announcement made on 20 January 2005. The Company hereby rectify the omission with disclosures in accordance with Rule 704(15) that between 21 January 2005 and 1 September 2005, the Company and its subsidiaries (the "Group") has acquired quoted equities for a total value of approximately S\$4.01 million (including the S\$1.69 million which was omitted) and sold quoted equities for a total value of approximately S\$2.40 million. This is equivalent to 5.39% of the latest audited consolidated NTA of S\$29.96 million. Information in respect of such acquisition is as follows:

		Before the Acquisition S\$	After the Acquisition S\$
1	Market value as at 1 September 2005	2.79 million	4.95 million
2	Aggregate cost of investment	2.55 million	4.16 million
3	Provision for diminution in value	0.03 million	0.20 million
4	Aggregate cost of investment as a percentage of NTA	8.51%	13.90%

BY ORDER OF THE BOARD

Wong Siew Chuan
Company Secretary
03/09/2005

Submitted by Wong Siew Chuan, Company Secretary on 03/09/2005 to the SGX