



Magnus Energy Group Ltd.  
Annual Report 2005

Magnus Energy Group Ltd.

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Magnus Energy Group Ltd.  
22 Tagore Lane  
Singapore 787480

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## Corporate Profile

Incorporated in 1983, Magnus Energy Group Ltd. ("Magnus" or the "Company") began its humble roots as a sub-contractor undertaking electrical installations. In a span of 20 years, Magnus has built an established track record as a provider of quality and reliable mechanical and electrical engineering ("M&E") services.

With the stiff operating conditions & cyclical nature of the construction business, a strategic decision was made in 2003 to shift its business focus.

The acquisition of a 54.35% controlling stake in Mid-Continent Equipment Group Pte Ltd. has enabled the group to establish new business opportunities in the oil and gas as well as alternative energies industries in new global markets.

The group will continue to tender selectively for profitable engineering projects.

This will be an ongoing process for the group as it looks to diversify its energy business activities, broaden its earnings base and at the same time re-engineer itself to explore new opportunities globally.

efficiency  
synergy  
reliability

## Corporate Information

### Board of Directors

Mr Ravindran Govindan (Executive Chairman)  
Mr Yeo Jiew Yew (Managing Director)  
Mr Chan Sing En (Deputy Managing Director)  
Mr Chua Koh Ming  
Mr Umar Abdul Hamid  
Mr Koh Teng Kiat  
Mr Meno Junichiro  
Mr Lew Syn Pau (Independent Director)  
Mr Goh Boon Kok (Independent Director)

### Audit Committee

Mr Lew Syn Pau (Chairman)  
Mr Meno Junichiro  
Mr Goh Boon Kok

### Nominating Committee

Mr Lew Syn Pau (Chairman)  
Mr Ravindran Govindan  
Mr Goh Boon Kok

### Remuneration Committee

Mr Lew Syn Pau (Chairman)  
Mr Chan Sing En  
Mr Goh Boon Kok

### Auditors

Ernst & Young  
Certified Public Accountants  
10 Collyer Quay  
#21-01 Ocean Building  
Singapore 049315  
Partner-in-charge:  
Miss Teo Li Ling  
(Appointed since financial year ended  
30 June 2005)

### Company Secretary

Wong Siew Chuan, CPA

### Registered Office

22 Tagore Lane  
Singapore 787480  
Tel: 6455 3922  
Fax: 6455 7322  
Registration No. 198301375M

### Registrar & Share Transfer Office

Lim Associates (Pte) Ltd  
10 Collyer Quay #19-08  
Ocean Building  
Singapore 049315

### Principal Bankers

United Overseas Bank Limited  
80 Raffles Place, #12-00  
UOB Plaza 1  
Singapore 048624

RHB Bank Berhad  
90 Cecil Street #03-00  
Singapore 069531

# Chairman's Statement

## Dear Shareholders,

The financial year ended 30 June 2005 was one of ongoing transformation and expansion for the Group. This makeover has seen the Group take significant strides in shifting its operational focus from a construction to an oil and gas business. FY2005 also saw the Group expand its overseas operations by reaching business agreements with Innamincka Petroleum Limited ("INP") and PT Deefu Chemical Indonesia ("PT Deefu") in Australia and Indonesia respectively.

The Group's Farmout agreement with INP calls for a A\$2.5 million investment in a Petroleum Exploration Licence 101 ("PEL 101"), granted under the Petroleum Act 2000 of South Australia permitting gas excavations in the Cooper Basin, Southern Australia. The contract allows a subsidiary, Mid-Continent Equipment (Australia) Pty Ltd ("MEA") to earn a 25% participating interest on any of gas deposits found during the course of the project. The proposed acquisition of 72% equity interest in PT Deefu is also in line with the Group's strategy to venture into the coal concession business. To reflect the Group's new growth and business strategies, we have also changed our name from Strike Engineering Limited to Magnus Energy Group Ltd. (the "Group").

### **BUSINESS REVIEW**

The acquisition of Mid-Continent Equipment Group Pte Ltd. ("MEG") has helped the Group open more opportunities in the oil and gas business while increasing revenue and profit. In recent years, the MEG Group of companies ("MEG Group") has been focused on reducing its reliance on supplying equipment to the oil drilling industry and increasing their business scope. This strategy has created diverse opportunities in oil & gas production and added new business dimensions to the MEG Group.

In FY2005, MEA, a wholly-owned subsidiary of MEG, entered into a Farmout Agreement ("Agreement") with INP and Vernon E Faulconer Australia Inc. ("VEF") to conduct gas excavation projects in the Cooper Basin, Southern Australia. MEA will be contributing A\$2.5 million in cash towards the cost of PEL 101 and will receive a 25% participating interest on any gas deposits found. The operation has already shown signs of promise with the Ginko 1 Exploration Well discovering a 24 bcf gas reservoir.

The success of the Group's collaborative partnerships in the oil & gas business demonstrates the potential for this business segment. As such, the Group will continue to seek out new partnerships in this business to increase revenue returns.

FY2005 also saw the Group's wholly-owned subsidiary, Antig Investments Pte. Ltd. ("Antig") enter into a conditional shares sale and purchase agreement for the proposed acquisition of a 72% equity interest in PT Deefu. A condition precedent for the proposed acquisition requires PT Deefu to produce between 10,000 and 30,000 tons per month of coal that are of satisfactory quality to Antig before the cut-off date of 28 February 2006. With increasing affluence in India, China and United States of America, the demand for energy sources will continue to increase. The proposed acquisition of PT Deefu will prime the Group to provide fuel sources to these countries.

## The acquisition of Mid-Continent Equipment Group Pte Ltd. ("MEG") has helped the Group open more opportunities in the oil and gas business while increasing revenue and profit

In line with the Group's plans to expand its overseas operations, we aim to promote strategic alliances with businesses in Australia. We hope to establish partnerships with businesses whose interests are synergistic to our own.

### PERFORMANCE REVIEW

Group turnover jumped 66.8% from S\$81.3 million in FY2004 to S\$135.6 million in FY2005. This increase is mainly attributed to the acquisition of MEG which was the Group's star performer contributing S\$95.0 million in sales and representing approximately 70.0% of Group turnover. Increased turnover also saw Group gross profit rise to S\$17.1 million. This improvement was again credited to MEG's contribution of S\$16.3 million, which represented approximately 95.3% of the Group's gross profit.

Despite increased turnover and gross profit, the Group registered higher losses of S\$8.8 million compared to S\$1.7 million from the previous year. This was due mainly to a net loss of S\$4.6 million from the divestment a 21.24% equity interest in Lantrovision (S) Ltd ("Lantro"), an associated company and Lantro's negligible contribution of S\$0.8 million for the current year.

The Group also made provisions for the impairment losses amounting to S\$3.1 million in 2 freehold properties, 2 leasehold properties and all the fixed assets in Development Bank of Strike as compared to S\$0.7 million from FY2004. Additional provisions of S\$0.5 million were also made for long outstanding doubtful debts resulting from a past director's emoluments being disapproved by shareholders. The aborted Eurowind project totalling S\$0.5 million added to the Group's losses.

Despite the Group registering higher net losses, cashflow

has improved as borrowings have been reduced from S\$9.8 million to S\$5.8 million. Net proceeds of approximately S\$5.4 million received from the divestment of 21.24% equity interest in Lantro and the non-cash accounting adjustments, in relation to the net loss of S\$4.6 million from the divestment of 21.24% equity interest in Lantro and impairment losses on property, plant & equipment of S\$3.1 million have contributed to the increased cashflows.

### FUTURE PROSPECTS

The forthcoming year will see the Group continue its focus on the oil and gas business. MEG will continue to play a crucial role in contributing to the Group's position and revenue. Based on the positive results of its successful partnerships with companies in the oil and gas business, the Group will continue to explore new opportunities in this business segment. The Group's foray into the coal concession business will also enhance its product portfolio and help increase its earnings base.

### ACKNOWLEDGEMENT

On behalf of the Board and Management of Magnus, I would like to thank Mr. Lum Chue Tat for his contributions and services to the Company. I am also pleased to welcome our new director, Mr. Koh Teng Kiat to the Company.

Last but not least, the Board and Management would like to express our heartfelt appreciation to all shareholders, clients and business partners for their invaluable support and confidence. We hope that your continued support will facilitate the Group's smooth transition into the oil and gas business and create long-term value for shareholders.

Ravindran Govindan  
**Chairman**

# Milestones

## 4 August 1999

The Company was admitted to the Official List of Stock Exchange of Singapore Dealing and Automated Quotation System ("SGX-Sesdaq").

## 24 September 1999

The Company acquired 51% equity interest in the issued share capital of Strike Development Pte Ltd whose principal activity is in property development.

## 20 December 1999

The Company made a bonus issue of 1 new Share credited as fully paid for every 2 existing Shares held in the Company as at 5:00 pm on 16 December 1999 by capitalising a maximum of \$5,200,000 and \$112,500 from the share premium account and accumulated profits of the Company respectively.

## 22 December 1999

The new Shares issued pursuant to the bonus issue on 20 December 1999 were listed on SGX-Sesdaq.

## 20 January 2000

The Group purchased a plot of land at Ewe Boon Road with land area of approximately 10,400 sq.ft at a price of \$9 million, meant for residential property development.

## 15 March 2000

The Company purchased 422 Tagore Industrial Avenue, Singapore 787806 for a consideration of \$7.25 million.

## 27 April 2000

The Company acquired the entire share capital of Strike Construction Pte Ltd whose principal activities are in building construction and installation, provision of mechanical and electrical engineering services.

## 9 May 2000

The Company acquired 51% equity interest in the issued share capital of Lantrovision at a consideration of \$15,625,000.

## 28 June 2000

The Company acquired an equity stake of 70% in Gredanian Pte Ltd. Gredanian Pte Ltd's principal activity is in property development.

## 1 September 2000

The Company subscribed 630,000 ordinary shares of \$1.00 each in the capital of Gredanian Pte Ltd at par and for cash with no change in its equity interest of 70%.

## 13 December 2000

The Company made a Bonus Issue of 1 new Share credited as fully paid for every 1 existing Share held in the Company as at 5:00 pm on 8 December 2000 by capitalising a sum of \$18,272,000 and \$52,600 from the share premium account and accumulated profits of the Company respectively.

## 14 December 2000

The Shares issued pursuant to the Bonus Issue were listed on SGX-Sesdaq.

## 22 December 2000

The Company sold 415 Tagore Industrial Avenue, Singapore 787804 for a consideration of \$2.66 million.

## 22 January 2001

The Group purchased a plot of land at 40 Stevens Road with land area of approximately 2,801 sq.m at a price of \$27 million, meant for residential property development.

## 31 January 2001

The Company acquired 51% equity interest in the issued share capital of Gordon for a consideration of HK\$50.49 million. Gordon was incorporated in Hong Kong and is principally engaged in the business of providing interior architectures, designs and decorations services.

## 6 April 2001

The Company issued 183,246,000 warrants expiring in April 2006 ("Warrants 2006") and carrying the right to subscribe for new Shares of the Company at an issue price of \$0.022 for each warrant on the basis of 1 Warrant 2006 for every 4 existing Shares held in the Company as at 5:00 pm on 13 March 2001, in conjunction with a transferable loan facility in the principal amount of \$12 million.

## 11 April 2001

The issued Warrants 2006 were listed on SGX-Sesdaq.

## 2 November 2001

Lantrovision was admitted to the Official List of SGX-Sesdaq.

## 18 April 2002

The Company and its joint venture partner, the Economic Committee of Myitkyina, State of Kachin, Union of Myanmar set up a full licensed bank in Myitkyina, named Development Bank of Strike, with limited liability wherein the Company shall have a 75% stake and provide initial funding of US\$600,000 for the infrastructure and working capital of the bank.

## 4 June 2002

The Company issued 10,024,985 new Warrants 2006 (the "Adjustment Warrants") and carrying the right to subscribe for new Shares of the Company as an adjustment based on 0.05472155 Adjustment Warrant for every outstanding Warrants 2006 held by Warrant holders 2006 of the Company as at 5:00 pm on 28 May 2002 in connection with a renounceable rights issue of between a minimum of 146,600,000 and a maximum of 183,246,000 new Shares (the "Rights Shares"), with between a minimum of 146,600,000 and a maximum of 183,246,000 free detachable warrants (the "Warrants"), each Warrant carrying a right to subscribe for 1 new Share at the subscription price of \$0.05 for each Right Share payable in full on acceptance and/or application on the basis of 1 Right Share with 1 free detachable Warrant for every 5 existing Shares held by shareholders of the Company as at 5:00 pm on 28 May 2002, fractional entitlements being disregarded.

## 7 June 2002

The issued Adjustment Warrants were listed on SGX-Sesdaq.

## 26 September 2002

The Group acquired 100% equity interest in Progressive Builders Private Limited ("Progressive") for a cash consideration of \$80,000. Progressive's principal activity are engaged in the provision of project management, building construction and installation services and related activities.

## 21 April 2003

The Company subscribed for 439 new ordinary

shares at \$1.00 each in the capital of Strike Construction Pte Ltd and waived its pre-emption rights to subscribe for the balance of 68,825 new ordinary shares at \$1.00 each in the capital of Strike Construction Pte Ltd pursuant to a subscription agreement dated 29 December 2000 entered with the other existing 3 shareholders of Strike Construction Pte Ltd. Following the partial subscription, the Company's equity interest in the capital of Strike Construction Pte Ltd has been diluted to 52%.

## 18 July 2003

The Company sold 0.36% equity interest in Lantrovision in the open market at a consideration of \$217,375.

## 15 August 2003

Gredanian Pte Ltd completed the sale of the property on 40 Stevens Road at a consideration of \$17.4 million.

## 14 November 2003

The Company divested 21.24% equity interest in Lantrovision to 5 individual placees at an aggregate consideration of \$13,750,000, thereby reducing its equity interest held in Lantrovision to 21.24%.

## 26 December 2003

The Company allotted and issued 100,000,000 new Shares to 7 individual placees at par.

## 16 March 2004

The Company completed the disposal of its entire shareholding of 50.55% in Nete2 Asia Pte Ltd for a cash consideration of \$50,000.

## 26 April 2004

The Company acquired approximately 54.35% of the issued share capital of Mid-Con at a consideration of \$13,957,305 satisfied in full by cash of \$5,467,155 and the allotment and issue of 169,803,000 new Shares.

## 1 June 2004

The Company incorporated a wholly-owned subsidiary, Antig Investments Pte. Ltd. with an authorized capital of \$5 million and a paid-up capital of \$2. The principal activity of the new company is in the business of equity or other investments.

## 16 June 2004

The Company disposed its wholly-owned subsidiary, Ligent Engineering Pte Ltd for a cash consideration of \$200,000.

## 30 September 2004

The Company further divested 9.27% equity interest in Lantrovision to 2 individual placees at an aggregate consideration of \$2,960,000, thereby further reducing its equity interest held in Lantrovision to 11.97%. Consequently, Lantrovision ceased to be the Company's associated company.

## 19 January 2005

The Company disposed in the open market an aggregate of 46,500,000 ordinary shares, being the remaining equity interest of 11.97%, in Lantrovision (S) Ltd, for an aggregate cash consideration of \$2,414,750.

## 30 September 2005

The Company completed the sale of the freehold property, 422 Tagore Industrial Avenue Singapore 787806, at a cash consideration of \$3.5 million.

# Board of Directors

**Ravindran Govindan, Executive Chairman**, joined Magnus in May 2003. He is also a member of the Nominating Committee. He holds a Bachelor of Law (Honours) degree from the National University of Singapore. He currently sits on the board of several public and private companies in Singapore and overseas. He is also a director of Mid-Continent Equipment Group Pte Ltd. and Antig Investments Pte. Ltd., subsidiaries of Magnus.

**Yeo Jiew Yew, Managing Director**, founder of Magnus since 1983. He is also a director of Victrad Enterprise (Pte) Ltd, a wholly-owned subsidiary of Magnus. Mr Yeo has more than 36 years of extensive experience in the electrical installation industry and more than 20 years of experience in managing Magnus. He is credited for expanding Magnus Group's businesses to its current position. Currently, he is responsible for the overall management of Magnus Group and the implementation of Board directions.

**Chan Sing En, Deputy Managing Director**, joined Magnus in September 2002. He is also a member of the Remuneration Committee. He graduated from Pepperdine University (U.S.A) with a Bachelor of Science, Business Administration majoring in Finance and Marketing in 1987. He currently sits on the board of several public and private companies in Singapore and overseas. He is also a director of Antig Investments Pte. Ltd., a subsidiary of Magnus to expand its new energy resources projects.

**Chua Koh Ming, Executive Director**, joined Magnus in March 1997. He is also a director of Gordon (HK) Designer & Engineer Limited, Strike Construction Pte Ltd, Progressive Builders Private Limited, subsidiaries of Magnus. Mr Chua holds a Bachelor of Electrical Engineering degree from the National University of Singapore and is a registered Professional Engineer in practice. He has more than 9 years of experience as electrical engineer in several projects with Lands and Estate Organisation of the Ministry of Defence and had then underwent various engineering and management training programs. Currently, he is responsible for overseeing the operations of the aforesaid subsidiaries.

**Umar Abdul Hamid, Executive Director**, joined Magnus in March 1997. He is also a director of Strike Development Pte Ltd, subsidiary of Magnus. Mr Umar is a Harvard graduate and a Fulbright scholar with degrees in Master of Education (Administration, Planning and Social Policy), Bachelor of Science in Electrical Engineering and a Diploma in Mechanical Engineering. He has more than 25 years of professional experience in both private and public sectors in areas of engineering project management, administrative services and business development. He was a Member of Parliament from 1991 to 1996 and is currently the Vice-Chairman of Singapore Business Federation, the Honorary President of the Singapore Malay Chamber of Commerce and Industry and a member on the Board of Advisors to MINDEF Registration Committee. Currently, he is responsible for overseeing the operations of the aforesaid subsidiary.

**Koh Teng Kiat, Executive Director**, joined Magnus in July 2004. He is also a director of Gordon (HK) Designer & Engineer Limited and Mid-Continent Equipment Group Pte Ltd., subsidiaries of Magnus. Mr Koh holds a Degree from the Chartered Institute of Management Accountants of the United Kingdom. He is a Fellow member of both the Chartered Institute of Management Accountants of the United Kingdom and Institute of Certified Public Accountants of Singapore. Currently, his area of responsibilities cover business development, exploring new opportunities in the region including acquisitions of companies and strengthening the assets base to broaden Magnus' earnings potential, developing a strategic team of specialists to spearhead the newly acquired investments, as well as carrying out due diligence exercises together with financial, legal and technical consultants.

**Meno Junichiro, Non-Executive Director**, joined Magnus in May 2003. He is also a member of the Audit Committee. Mr Meno holds a Bachelor of Arts majoring in Indo-Chinese Economy, Thai language and culture from the Tokyo University of Foreign Studies. He has more than 18 years of experience as a financial broker.

**Lew Syn Pau, Independent Director**, joined Magnus in July 1999. He is also the Chairman of Audit Committee, Nominating Committee and Remuneration Committee. Mr Lew is a Singapore Government Scholar with Masters of Engineering Degree from Cambridge University, United Kingdom and a Masters in Business Administration degree from Stanford University, United States of America. He is currently the President of the Singapore Manufacturers' Federation and sits on the board of several public and private companies in Singapore and overseas. He began his career with the Singapore Administrative Service from where he was seconded to the National Trades Union Congress ("NTUC"). During his career in the NTUC, he was the Executive Secretary of the Metal Industries Workers' Union (6 years), General Manager and subsequently Managing Director of NTUC Comfort Holdings Ltd (6 years), General Manager of NTUC Pasir Ris Resort (2 years), Managing Director of General Automotive Services Pte Ltd (3 years), and Executive Director of NTUC Fairprice Co-operative Ltd (2 years). In addition, he was also an Assistant Secretary-General of the NTUC from 1990 to 1994. Mr. Lew left the NTUC Group in 1994 to join Banque Indosuez (subsequently renamed Credit Agricole Indosuez) as General Manager and Senior Country Officer from 1994 to 1997. He was also a Member of Parliament from 1988 to 2001.

**Goh Boon Kok, Independent Director**, joined Magnus in June 2004. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee. Mr Goh holds a Bachelor of Accountancy degree from the University of Singapore and is a member of Chartered Institute of Management Accountants (UK) and Chartered Institute of Secretaries & Administrators. He has more than 10 years of working experience with both public and private sectors. Mr Goh is a Certified Public Accountant and currently runs his own practice, Messrs Goh Boon Kok & Co. He is also an independent director of another public listed company in Singapore.

dedication  
commitment  
passion

## Key Executives

**Sim Yew Heng, General Manager**, joined Magnus in 1987 and has been with Magnus for 18 years. He first started out as an electrical apprentice and has more than 25 years of experience in handling M&E projects. He has completed more than 100 M&E projects in the public and private sectors. With his experience and knowledge, he is capable of handling large-scale projects, including analyses in tenders for potential projects. His current duties include overseeing the tender, contract departments and projects management for M&E jobs.

**Wong Siew Chuan, Finance Manager**, joined Magnus in 1999 and has been with Magnus for 6 years. She has been appointed as the Company Secretary for Magnus and its subsidiaries. Ms Wong graduated from the National University of Singapore with a Bachelor of Accountancy degree in 1988 and is a non-practising Fellow Certified Public Accountant Singapore. She has more than 15 years of experience in financial and management reporting and 9 years of experience in auditing a portfolio of trading, service, manufacturing companies and financial institutions. Her current duties include financial and management reporting and corporate secretarial duties for the Magnus Group as well as liaising with the Singapore Exchange Securities Trading Limited as Magnus' authorised representative.

**Chan Bee Fong, Personnel and Administration Manager**, joined Magnus in 1992 and has been with Magnus for 13 years. She obtained the London Chamber of Commerce Group Diploma in Management Accounting in 1989. She has more than 15 years of experience in maintaining financial accounts and handling office administrative matters for small and medium enterprises. Her current duties include human resource management for Magnus, monitor projects' costings and leading a team of office and project administrative staffs in providing support to the various departments of Magnus.



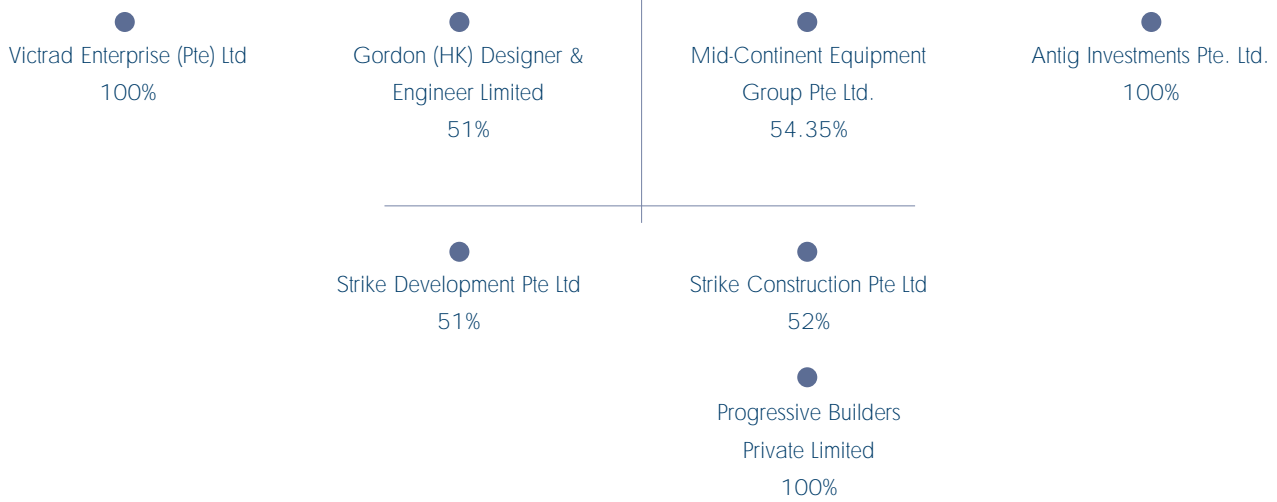
## Financial Highlights

	2005	2004	2003
Turnover (\$'000)	135,606	81,329	44,536
Net Asset Value per Share (Cents)	2.26	3.02	2.63
(Loss)/Profits before Taxation (\$'000)	(6,608)	430	(28,188)
(Loss) Earnings per Share (Cents)	(0.77)	(0.18)	(3.03)

### **TURNOVER BY BUSINESS ACTIVITIES**

Electrical Engineering Services	6,753	14,120	10,471
Building and Mechanical Engineering Services	21,428	15,312	21,924
Architecture and Design	10,644	27,931	4,354
Networking	-	2,099	2,856
Property Development	1,765	9,449	2,185
Oilfield Equipment Supply and Services	94,962	12,292	-
Others	54	126	2,746

# Corporate Structure



# Corporate Governance Report

Magnus Energy Group Ltd. is committed to ensuring the standard of corporate governance within the Group to protect the interests of shareholders and to promote investors' confidence within constraints of the Group's operations and size, and supports full compliance of Code of Corporate Governance ("Code") as required by the Singapore Exchange Securities Trading Limited (SGX-ST).

## 1. Board of Directors (The "Board")

### Board's Conduct of its Affairs

The Board assumes responsibility for the overall corporate governance of the Group. Their principal functions include :

- (a) Approving broad policies, strategies and financial objectives for the Group;
- (b) Approving the nominations of board members and key managerial personnel;
- (c) Approving budgets, major funding proposals, investment and divestment proposals;
- (d) Reviewing the Group's financial performance; and
- (e) Monitoring the performance of management

The day-to-day management of the Group's businesses and affairs, the development of various business activities and the formulation of corporate strategies have been entrusted to the executive directors. This is to facilitate effective management.

Certain functions have been delegated to various board committees, namely, the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC").

The Board meets at least two times a year, with additional meetings convened when circumstances require. The Company does not have a formal training programme for new directors. However, to assist the directors in discharging their duties, a new director will be given briefing on the business of the Group and regulatory issues. Directors of the Company will also be updated from time to time of any new or changes to companies and securities legislations, rules and regulations.

The number of Board, AC, NC and RC meetings held for the financial year ended 30 June 2005 and the attendance of every board member at those meetings is given on page 14.

### Board Composition and Balance

The Board currently comprises 9 members, 6 executive directors including the Chairman and 3 non-executive directors, of whom two are independent directors. Together, the Directors bring with them a wide range of business and financial experience, skills and expertise to meet the Company's targets.

New appointments to the Board, its composition and effectiveness, and independence of directors are reviewed annually by the NC. Mr Ravindran Govindan is currently the Executive Chairman of the Board while Mr Yeo Jiew Yew is the Managing Director of the Company. NC recognises the Company's financial constraints. As no individual or small group of individuals dominates the Board, NC views the current Board composition and size appropriate for the Group's present scope of operations.

The Chairman schedules the meeting and prepares the meeting agenda of the Board, and reviews the Board papers prepared by management staff to ensure complete and timely information are provided to the Board members. In addition, the Chairman also assists to ensure the company's compliance with the Code.

### Access to Information

All Directors have access to information from the Company's senior management and to the advice and services of the Company Secretary as and when required to effectively fulfill their responsibilities.

The Company Secretary attends all Board meetings and records all decisions and conclusions of the Board meeting in the Minutes' book. The Company Secretary assists the Board in ensuring that the procedures are duly complied with.

# Corporate Governance Report

## 2. Nominating Committee ("NC")

Lew Syn Pau (Chairman)  
Ravindran Govindan  
Goh Boon Kok

### Board Membership and Board Performance

NC comprises three members, 2 members including the Chairman are Independent Non-Executive Directors and 1 member is an Executive Director.

NC has adopted specific terms of reference and its principal functions are as follows:

- (a) Identify candidates and review all nominations on appointments and re-appointment of directors for recommendations to the Board.
- (b) Review the Board structure, size and composition regularly.
- (c) Determine the independence of directors annually.
- (d) To assess the effectiveness of the Board as a whole and the contribution of each individual director to an effective Board.

The Board, through the NC, reviews annually the effectiveness of the Board as a whole and its required mix of skills and experience and other qualities, including core competencies, which directors should bring to the Board.

Pursuant to Article 78 of the Company's Articles of Association, new directors would be required to submit themselves for re-election at the forthcoming AGM. Article 96(2) of the Company's Articles of Association requires that one-third of the Directors retire by rotation at every Annual general Meeting ("AGM"). However, the Managing Director is not subject to retirement by rotation. In accordance with the Company's Articles of Association, Messrs Ravindran Govindan, Chua Koh Ming and Meno Junichiro will retire pursuant to Article 96(2) and Mr Koh Teng Kiat will retire pursuant to Article 78 at the forthcoming AGM.

NC meets at least once a year. Additional meetings can be scheduled if considered necessary by the Chairman of NC. NC has held 2 meetings during the financial year ended 30 June 2005.

## 3. Audit Committee ("AC")

To ensure that corporate governance is effectively practised, the Directors have established self-regulatory and monitoring mechanisms, including the establishment of the AC.

The members of the AC at the date of this report are:

Lew Syn Pau (Chairman)	Independent Non-Executive Director
Goh Boon Kok	Independent Non-Executive Director
Meno Junichiro	Non-Executive Director

2 members of AC have in-depth years of professional experiences in the field of financial management and/or accounting. The Board is of the view that AC members have sufficient financial management expertise and experience to discharge their responsibilities.

# Corporate Governance Report

## 3. Audit Committee ("AC") (cont'd)

The AC held two meetings during the financial year ended 30 June 2005. The AC carried out its functions in accordance with the Companies Act Cap. 50 and SGX-ST Listing Manual. In performing those functions, the Audit Committee inter alia reviewed:

- (a) the overall scope of external audits and the assistance provided by the Group's officers to the auditors;
- (b) the auditors' evaluation of the system of internal accounting controls arising from their audit;
- (c) interested person transactions in accordance with the SGX-ST Listing Manual to satisfy themselves that the transactions are on normal commercial terms; and
- (d) the financial statements of the Company and the consolidated financial statements of the Group and the auditors' report on those financial statements before their submission to the Board of Directors.

Apart from the duties listed above, the AC has the power to conduct or authorise investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position.

The AC has full access to and co-operation of the management and the external auditors have unrestricted access to the AC. The AC meets with the external auditors, without the presence of the management, at least once a year. The AC also conducts an annual review of the independence and objectivity of external auditors annually.

Messrs Ernst & Young have expressed that they will not seek re-appointment as auditors of the Company. The AC has received notice from a shareholder, nominating Messrs Moore Stephens as the Company's Auditors in place of the retiring Auditors, Messrs Ernst & Young. Messrs Moore Stephens have expressed their willingness to accept the appointment. The proposal for the appointment will be put to the shareholders at the forthcoming Annual General Meeting.

### Interested Person Transactions ("IPTs")

The Company has in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested person transactions are subject to review by the AC. Currently, the Company is not required to have a general mandate from its shareholders in relation to IPTs as there are no IPT transactions for financial year ended 30 June 2005.

### Material Contracts

No material contracts were entered between the Company or any of its subsidiaries with any director or controlling shareholder during the financial year ended 30 June 2005.

# Corporate Governance Report

## 3. Audit Committee ("AC") (cont'd)

### Internal Controls and Internal Audit

The Board believes in the importance of maintaining a sound system of internal controls to safeguard the interest of shareholders and Group's assets. However, the Board recognises that no cost effective internal control system will preclude all errors and irregularities as a system is designed to manage rather than eliminate the risk of failure to achieve business objective and can provide only reasonable and not absolute assurance against material misstatement or loss. During the year, the AC has reviewed the internal control findings reported by the external auditors in the course of their statutory audit and is satisfied that there are no material weaknesses in the Group's system of internal control.

An Internal Audit Team ("IAT") of 3 members, headed by Ms Chan Bee Fong was formed on 20 September 2002. The IAT performs internal audit of subsidiary companies in Singapore and reports directly to the AC Chairman. It also reports functionally and administratively to the Managing Director. AC reviews and approves the annual IAT's plan and resources.

During the year, the Group engaged Guangdong Cheng An Xin Certified Public Accountants to perform an internal audit of an overseas subsidiary in Hong Kong. Their findings and recommendations would be reported to the AC in the next couple of months.

## 4. Remuneration Committee ("RC")

Lew Syn Pau (Chairman)  
Chan Sing En  
Goh Boon Kok

### Procedures for Developing Remuneration Policies

#### Level and Mix of Remuneration

#### Disclosure on Remuneration

RC comprises 3 members, 2 members including the Chairman are Independent Non-Executive Directors and 1 member is an Executive Director.

RC has adopted specific terms of reference and its principal functions are as follows:

- (a) To review and recommend to the Board a framework of remuneration for directors and key executives to ensure the package is sufficient to attract and retain people of required quality to run the Company successfully.
- (b) To determine the specific remuneration packages for executive directors and key executives based on performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry.
- (c) Review directors' remuneration packages annually to recommend appropriate adjustments.

Fees are payable only to Non-executive directors and the level of fees shall commensurate with the level of responsibilities undertaken by them. Such fees are recommended and endorsed by the Board for approval by the shareholders of the Company at its AGM. RC recommended that fees of S\$70,000 be payable to Independent Non-Executive Directors for the financial year ended 30 June 2005, for their participation in the various subcommittees. The Board duly accepted RC's recommendation and proposed the same for approval by the shareholders at the forthcoming AGM.

RC meets at least once a year. Additional meetings can be scheduled if considered necessary by the Chairman of RC. RC has held 1 meeting during the financial year ended 30 June 2005.

# Corporate Governance Report

## 4. Remuneration Committee ("RC") (cont'd)

### Remuneration of Directors and Key Executives

Details of remuneration to the directors of the Company for the financial year ended 30 June 2005 ("FY2005") and 2004 ("FY2004") are set out below:

Remuneration band	Number of directors	
	FY2005	FY2004
\$500,000 and above	-	-
\$250,000 to below \$500,000	1	-
Below \$250,000	9	10

Summary compensation table for the financial year ended 30 June 2005:

Name	Salaries %	Bonus %	Director fees %	Other benefits %	Total %
<b>\$250,000 to below \$500,000</b>					
<b>Director</b>					
Yeo Jiew Yew	81.6	13.6	-	4.8	100.0
<b>Below \$250,000</b>					
<b>Directors</b>					
Ravindran Govindan	93.4	-	-	6.6	100.0
Chan Sing En	89.8	-	-	10.2	100.0
Chua Koh Ming	94.9	-	-	5.1	100.0
Umar Abdul Hamid	94.5	-	-	5.5	100.0
Koh Teng Kiat	94.0	-	-	6.0	100.0
Meno Junichiro	-	-	100.0	-	100.0
Lew Syn Pau	-	-	100.0	-	100.0
Goh Boon Kok	-	-	100.0	-	100.0
<b>Key Executives</b>					
Sim Yew Heng	75.0	12.5	-	12.5	100.0
Wong Siew Chuan	69.0	11.5	-	19.5	100.0
Chan Bee Fong	66.4	11.1	-	22.5	100.0

RC and the Board are of the opinion that the remuneration of the Directors and Key Executives for the financial year ended 30 June 2005 are adequate but not excessive in order to attract, retain and motivate them to run the Group successfully.

## 5. Communication with Shareholders

### Accountability and Audit Communication with Shareholders

The Board acknowledges the importance of regular communication with shareholders and investors through which shareholders can have an overview of the Group's performance and operation. This is made via the Company's annual report, circulars to shareholders and half-yearly financial reports and the various announcements made during the year.

At each AGM, shareholders are given opportunity to meet and communicate with the Board and to vote on all resolutions.

# Corporate Governance Report

## 6. Securities Transactions

The Company has adopted an Internal Code of Conduct to provide guidance to its directors and employees on their dealings in its securities. This was modelled along the Best Practices Guide in the SGX-ST Listing Manual.

## 7. Corporate Disclosure

The Company believes that a high level of disclosure is essential to enhance the standard of corporate governance. Hence, the Company is committed to provide a high level of disclosure in all public announcements, press releases and annual reports.

## 8. Meetings Compliance

Each director attended the following meetings during the financial year ended 30 June 2005 while a member of the Board:

Director	Board Membership	Committee Membership							
		Board		Audit Committee		Nominating Committee		Remuneration Committee	
		No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Ravindran Govindan	Executive Chairman	6	2	-	-	2	2	-	-
Yeo Jiew Yew	Managing Director	6	5	-	-	-	-	-	-
Chan Sing En	Deputy Managing Director	6	6	-	-	-	-	1	1
Chua Koh Ming	Executive Director	6	5	-	-	-	-	-	-
Umar Abdul Hamid	Executive Director	6	4	-	-	-	-	-	-
Koh Teng Kiat <sup>(1)</sup>	Executive Director	1	1						
Meno Junichiro	Non-Executive Director	6	5	2	2	-	-	-	-
Lew Syn Pau	Independent Director	6	4	2	2	2	2	1	1
Goh Boon Kok	Independent Director	6	6	2	2	2	2	1	1
Lum Chue Tat <sup>(2)</sup>	Non-Executive Director	3	-	-	-	-	-	-	-

### Notes

(1) Appointed on 17 February 2005

(2) Resigned on 16 December 2004





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# Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2005 and balance sheet of the Company as at 30 June 2005.

## Directors

The directors of the Company in office at the date of this report are:

Ravindran Govindan  
Yeo Jiew Yew  
Chan Sing En  
Chua Koh Ming  
Umar Abdul Hamid  
Koh Teng Kiat  
Meno Junichiro  
Lew Syn Pau  
Goh Boon Kok

## Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Share options or warrants

During the financial year ended 30 June 2001, the Company issued 183,246,000 warrants ("Warrants 2006") in conjunction with the transferable loan facility granted to the Company. Each Warrant 2006 entitles the holder to subscribe for one new ordinary share at the exercise price of \$0.11 during the Exercise Period. The Exercise Period of Warrants 2006 refers to the period during which the Warrants 2006 may be exercised, commencing after its listing and quotation on the SGX-Sesdaq from 6 April 2001, the date of issue up to 5 April 2006. During the financial year ended 30 June 2002, 10,024,985 new Warrants 2006 were issued as an adjustment in connection with the rights issue based on 0.05472155 new Warrant 2006 for every outstanding Warrant 2006 pursuant to the Deed Poll dated 9 March 2001. During the financial year no Warrants 2006 were exercised and converted to ordinary shares. The number of Warrants 2006 outstanding at the end of the financial year 30 June 2005 was 193,239,985 (2004: 193,239,985).

Except for the above, no other options or warrants to take up unissued shares of the Company or its subsidiaries were granted and no other shares were issued by virtue of the exercise of options or warrants to take up unissued shares of the Company or any subsidiary. Save as disclosed, there were no unissued shares of the Company or any subsidiary under option at the end of the financial year.

# Directors' Report

## Director's interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act, an interest in shares of the Company and related corporations, as stated below:

	← Direct interest →			← Deemed interest →		
	1 July 2004	30 June 2005	21 July 2005	1 July 2004	30 June 2005	21 July 2005
<b>The Company</b>						
<i>Ordinary shares of \$0.05 each</i>						
Yeo Jiew Yew	49,640,000	49,640,000	49,640,000	–	–	–
Chua Koh Ming	51,643,200	51,643,200	51,643,200	–	–	–
Umar Abdul Hamid	91,108	62,738	62,738	10,192,631	28,371	28,371
Lew Syn Pau	–	–	–	5,813,999	5,813,999	5,813,999

*Warrants 2006 to subscribe  
for ordinary shares of \$0.05  
each*

Umar Abdul Hamid	819	819	819	973	973	973
Lew Syn Pau	–	316,038	316,038	1,277,531	961,493	961,493

No other directors of the Company who held office at the end of the financial year had an interest in any shares, warrants or debentures of the Company or related corporations either at the beginning or end of the financial year and on 21 July 2005.

## Directors' contractual benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the consolidated financial statements, or any emoluments received from related corporations) by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

# Directors' Report

## Corporate governance

The Board of Directors is responsible for the corporate governance and strategy of the Group. The Board comprises an executive chairman, five executive directors and three non-executive directors, of whom two are independent directors. The board meets regularly during the year and at other times as appropriate.

The Board supports the developments to improve corporate governance and confirms compliance with the Singapore Exchange's Best Practices Guide relating to Audit Committees.

The Audit Committee comprises three non-executive directors of whom two are independent directors. The members of the Committee are:

Lew Syn Pau, Chairman	(Independent Director)
Goh Boon Kok, Member	(Independent Director)
Meno Junichiro, Member	

The Audit Committee carried out its functions in accordance with the Companies Act, Cap. 50 and the Singapore Exchange Securities Trading Limited Listing Manual. In performing those functions, the Audit Committee *inter alia* reviewed:

- (a) The audit plan of the company's external auditors and their evaluation of the system of internal accounting controls;
- (b) the overall scope of external audits and the assistance provided by the Group's officers to the auditors;
- (c) the auditors' evaluation of the system of internal accounting controls arising from their audit;
- (d) interested party transactions for the financial year ended 30 June 2005 in accordance with Chapter 9 of the Singapore Exchange Securities Trading Limited Listing Manual to satisfy themselves that the transactions are on normal commercial terms; and
- (e) the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2005 before their submission to the board of directors and the auditors' report on those financial statements.

The Audit Committee held two meetings during the financial year.

## Auditors

Messrs Ernst & Young have expressed that they will not seek re-appointment as auditors of the Company. The Audit committee has received notice from a shareholder, nominating Messrs Moore Stephens as the Company's auditors in place of the retiring auditors, Messrs Ernst & Young. Messrs Moore Stephens have expressed their willingness to accept the appointment. The proposal for the appointment will be put to the shareholders at the forthcoming Annual General Meeting.

# Directors' Report

## Other information required by the Singapore Exchange Securities Trading Limited

No material contracts to which the Company or any subsidiary is a party and which involve directors' interests subsisted at, or have been entered into since the end of the previous financial year.

On behalf of the Board of Directors,

Yeo Jiew Yew  
Director

Chan Sing En  
Director

Singapore  
16 September 2005

# Statement by Directors

Pursuant to Section 201(15)

We, Yeo Jiew Yew and Chan Sing En, being two of the directors of Magnus Energy Group Ltd. (formerly known as Strike Engineering Limited), do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheets, consolidated profit and loss account, consolidated statements of changes in equity and consolidated cash flow statement together with notes thereto, set out on pages 22 to 65 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2005 and of the results of the business, changes in equity and cash flows of the Group for the year then ended, and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board of Directors,

Yeo Jiew Yew  
Director

Chan Sing En  
Director

Singapore  
16 September 2005

# Auditors' Report

to the Members of Magnus Energy Group Ltd.  
(Formerly known as Strike Engineering Limited)

We have audited the accompanying financial statements of Magnus Energy Group Ltd. (formerly known as Strike Engineering Limited) (the "Company") and its subsidiaries (the "Group") set out on pages 22 to 65 for the year ended 30 June 2005. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- (a) the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 30 June 2005 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and
- (b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

ERNST & YOUNG  
Certified Public Accountants

Singapore  
16 September 2005

# Balance Sheets

as at 30 June 2005

	Note	Group		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>Equity</b>					
Share capital	3	57,474,210	57,474,210	57,474,210	57,474,210
Reserves	4	(31,511,824)	(22,768,483)	(34,275,967)	(26,476,132)
		25,962,386	34,705,727	23,198,243	30,998,078
Minority interests		15,477,283	13,946,245	-	-
		41,439,669	48,651,972	23,198,243	30,998,078
<b>Property, plant and equipment</b>					
Investment in subsidiaries	6	-	-	16,397,927	14,768,256
Associated companies	7	8,298	7,152,463	-	7,747,352
Joint venture companies	8	-	-	-	-
Goodwill on consolidation	9	1,855,703	4,749,972	-	-
Deferred tax assets	33	55,431	46,000	-	-
Quoted investments	10	3,857,429	476,477	1,551,001	-
<b>Current assets</b>					
Asset held for sale	11	404,237	-	-	-
Development properties	12	-	1,765,000	-	-
Inventories	13	13,455,663	14,038,524	68,319	31,344
Projects-in-progress	14	10,538,961	7,116,398	712,627	2,596,806
Trade debtors	15	20,428,278	14,937,973	100,231	114,792
Loan to subsidiaries	16	-	-	1,634,080	3,552,119
Other debtors, deposits and prepayments	17	2,574,392	2,118,234	412,688	287,395
Due from subsidiaries (trade)		-	-	-	162,869
Due from subsidiaries (non-trade)	18	-	-	800,855	764,548
Due from associated companies (trade)		189,594	2,134,296	-	1,296,217
Due from associated companies (non-trade)	18	768,111	541,921	-	-
Due from related parties (non-trade)	18	154,098	154,098	-	-
Fixed deposits	19	6,079,003	6,262,827	-	-
Cash and bank balances		8,494,790	7,612,353	48,709	59,631
		63,087,127	56,681,624	3,777,509	8,865,721



# Balance Sheets

as at 30 June 2005

	Note	Group		Company	
		2005 \$	2004 \$	2005 \$	2004 \$
<b>Current liabilities</b>					
Trade creditors		16,095,906	8,156,239	836,689	1,012,015
Progress billings in excess of costs	14	2,909,341	1,287,580	128,407	482,340
Other creditors and accruals	20	4,580,400	6,175,199	206,409	390,377
Due to minority shareholders of subsidiaries (non-trade)	18	824,781	1,092,032	–	–
Due to subsidiaries (non-trade)	18	–	–	69,697	–
Due to related parties (trade)	18	1,881,707	3,789,622	–	–
Due to joint venture companies (trade)		4,383,837	685,880	–	–
Provision for tax		1,588,259	2,081,923	–	–
Short term bank loans (secured)	21	3,409,150	4,117,650	–	–
Lease obligations, current portion	22	75,021	86,530	–	5,324
Bank term loans, current portion (secured)	23	90,609	57,694	–	–
Bills payable to banks (unsecured)	24	1,338,751	2,537,735	942,171	2,185,735
Bank overdrafts (unsecured)	25	578,269	2,639,582	–	2,498,582
		37,756,031	32,707,666	2,183,373	6,574,373
<b>Net current assets</b>		25,331,096	23,973,958	1,594,136	2,291,348
<b>Non-current liabilities</b>					
Lease obligations, non-current portion	22	157,387	154,557	–	–
Bank term loans, non-current portion (secured)	23	150,645	185,783	–	–
Deferred tax liabilities	33	538,642	519,767	32,800	32,800
		846,674	860,107	32,800	32,800
		41,439,669	48,651,972	23,198,243	30,998,078

The accounting policies and explanatory notes on pages 30 to 65 form an integral part of the financial statements.

# Consolidated Profit and Loss Account

for the year ended 30 June 2005

	Note	2005 \$	2004 \$
Turnover	26	135,605,877	81,328,769
Cost of sales		(118,505,415)	(74,266,542)
<b>Gross profit</b>		<b>17,100,462</b>	<b>7,062,227</b>
Other operating income	27	713,390	3,109,797
Distribution & selling expenses		(1,980,298)	(1,895,401)
Administrative expenses		(14,268,831)	(5,400,719)
Other operating expenses		(7,902,368)	(2,778,815)
<b>(Loss)/profit from operations</b>	28	<b>(6,337,645)</b>	<b>97,089</b>
Financial income	32	105,912	31,818
Financial expenses	32	(457,612)	(599,702)
Share of results of associated companies		(6,689,345)	(470,795)
		81,304	900,462
<b>(Loss)/profit before tax</b>		<b>(6,608,041)</b>	<b>429,667</b>
Tax	33	(597,044)	(1,424,723)
<b>Loss after tax</b>		<b>(7,205,085)</b>	<b>(995,056)</b>
Minority interests		(1,601,068)	(720,275)
<b>Loss attributable to shareholders</b>		<b>(8,806,153)</b>	<b>(1,715,331)</b>
Loss per share (cents)			
- Basic and diluted	34	(0.77)	(0.18)

The accounting policies and explanatory notes on pages 30 to 65 form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 30 June 2005

Group	2005 \$	2004 \$
<b>Share capital</b>		
Balance at beginning of year	57,474,210	43,980,900
- issuance of 100,000,000 ordinary shares of \$0.05 each via private placement	-	5,000,000
- issuance of 63,200 ordinary shares of \$0.05 each upon exercise of Warrants 2003	-	3,160
- issuance of 169,803,000 ordinary shares of \$0.05 each as partial satisfaction for the acquisition of shares in Mid-Continent Equipment Group Pte Ltd	-	8,490,150
Balance at end of year	<u>57,474,210</u>	<u>57,474,210</u>
<b>Share premium</b>		
Balance at beginning of year	3,842	2,578
Issue of 63,200 ordinary shares of \$0.05 each upon exercise of Warrants 2003 at \$0.07 per share	-	1,264
Balance at end of year	<u>3,842</u>	<u>3,842</u>
<b>Capital reserve</b>		
Balance at beginning of year	3,919,525	3,919,525
Transfer from accumulated losses on issuance of bonus shares by a subsidiary	24,282	-
Balance at end of year	<u>3,943,807</u>	<u>3,919,525</u>
<b>Asset revaluation reserve</b>		
Balance at beginning of year	-	70,298
Impairment of property, plant and equipment	-	(70,298)
Balance at end of year	<u>-</u>	<u>-</u>
<b>Translation reserve</b>		
Balance at beginning of year	(168,476)	(23,446)
Foreign currency translation differences	62,812	(145,030)
Balance at end of year	<u>(105,664)</u>	<u>(168,476)</u>
<b>Accumulated losses</b>		
Balance at beginning of year	(26,523,374)	(24,808,043)
Loss attributable to shareholders	(8,806,153)	(1,715,331)
Transfer to capital reserve	(24,282)	-
Balance at end of year	<u>(35,353,809)</u>	<u>(26,523,374)</u>
<b>Total equity</b>	<u>25,962,386</u>	<u>34,705,727</u>

The accounting policies and explanatory notes on pages 30 to 65 form an integral part of the financial statements.

# Consolidated Statement of Cash Flows

for the year ended 30 June 2005

	2005 \$	2004 \$
<b>Cash flows from operating activities</b>		
(Loss) profit before tax	(6,608,041)	429,667
Adjustments:		
Amortisation of goodwill on consolidation	–	761,043
Bad non-trade debts written off	–	1,071,072
Bad trade debts written off	187,437	98,294
Depreciation of property, plant and equipment	1,405,936	521,300
Forgiveness of loan from minority shareholders of a subsidiary	–	(512,873)
Impairment of goodwill	10,755	–
Interest expense	290,993	547,852
Interest income	(105,912)	(31,818)
Loss on disposal of development property	–	221,632
Loss on disposal of investment in subsidiaries	–	48,687
Loss on disposal of investment properties	–	290,092
Loss on disposal of quoted investment	4,107,510	–
Loss/(gain) on disposal of associated company - quoted	422,648	(2,562,192)
(Gain)/loss on disposal of property, plant and equipment	(638,316)	12,520
Preliminary expenses written off	–	1,605
Provision for obsolete stocks written back	(26,028)	–
Property, plant and equipment written off	2,117	–
Provision for doubtful non-trade debts	555,882	576,513
Provision for doubtful trade debts	189,198	164,399
Provision for impairment in value of property, plant and equipment	3,055,699	950,222
Provision for impairment losses - quoted investment	108,441	–
Share of results of associated companies	(81,304)	(900,462)
Translation adjustment	157,036	–
Currency re-measurement	270,446	–
	<hr/>	<hr/>
<b>Operating profit before working capital changes</b>	3,304,497	1,687,553
(Increase) decrease in:		
Development properties	1,765,000	27,629,324
Inventories	626,635	(2,312,246)
Projects-in-progress, net of progress billings	(1,800,802)	(8,969,718)
Trade debtors	(5,604,247)	(2,065,191)
Other debtors, deposits and prepayments	(1,012,040)	4,710,704
Increase (decrease) in:		
Trade creditors	7,939,667	(798,900)
Other creditors and accruals	(1,594,799)	5,411,960
Intercompany balances, net	3,508,554	(184,700)
Due to minority shareholders of subsidiaries	(267,251)	(555,681)
Bills payable to banks	(1,198,984)	(179,299)
	<hr/>	<hr/>
<b>Cash flows generated from operations</b>	5,666,230	24,373,806
Interest income received	105,912	31,818
Interest paid	(290,993)	(547,852)
Income taxes paid	(1,064,411)	(617,246)
	<hr/>	<hr/>
<b>Net cash flows generated from operating activities</b>	4,416,738	23,240,526
	<hr/>	<hr/>

# Consolidated Statement of Cash Flows

for the year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>Cash flows from investing activities</b>			
Fixed deposit pledged to banks		(13,201)	(5,845,330)
Proceeds from sale of property, plant and equipment		1,372,948	866,919
Purchase of property, plant and equipment	B	(3,533,798)	(701,667)
Purchase of interest in joint venture company		–	(346,364)
Proceeds from sale of investment properties		–	712,106
Net proceeds from sale of quoted investments		5,214,043	–
Net proceeds from disposal of shares in associated company		2,960,000	5,619,540
Acquisition of quoted investment		(6,354,334)	–
Net cash flow from disposal of subsidiaries	C	–	15,264
Net cash flow generated from acquisition of subsidiaries	D	–	10,561,168
Payment of dividends by a subsidiary company to minority interests		(456,492)	–
<b>Net cash flow (used in)/generated from investing activities</b>		<b>(810,834)</b>	<b>10,881,636</b>
<b>Cash flows from financing activities</b>			
Proceeds from term loans		3,409,150	243,478
Net proceeds from issue of shares, net of expenses		–	5,004,424
Repayment of lease obligations		(150,679)	(10,264)
Repayment of term loans		(4,117,650)	(32,722,028)
<b>Net cash flows used in financing activities</b>		<b>(859,179)</b>	<b>(27,484,390)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,746,725</b>	<b>6,637,772</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>5,390,268</b>	<b>(1,247,504)</b>
<b>Cash and cash equivalents at end of year</b>	A	<b>8,136,993</b>	<b>5,390,268</b>

## A. Cash and cash equivalents

Cash and cash equivalents included in the consolidated statement of cash flows comprise the following balance sheet amounts:

	Note	2005 \$	2004 \$
Cash and bank balances		8,494,790	7,612,353
Fixed deposits	19	220,472	417,497
Bank overdrafts, unsecured		(578,269)	(2,639,582)
<b>Cash and cash equivalents</b>		<b>8,136,993</b>	<b>5,390,268</b>

# Consolidated Statement of Cash Flows

for the year ended 30 June 2005

## B. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$3,675,798 (2004: \$776,667) of which \$142,000 (2004: \$75,000) was acquired by means of finance leases. Cash payments of \$3,533,798 (2004: \$701,667) were made to purchase property, plant and equipment.

## C. Disposal of subsidiaries

The attributable net assets of subsidiaries disposed of during the year ended 30 June 2004 were as follows:

	2005	2004
	\$	\$
Property, plant and equipment	–	130,860
Investment property	–	37,440
Other investment	–	74,636
Goodwill on consolidation	–	4,535
Cash and bank balances	–	198,736
Fixed deposits	–	36,000
Trade debtors	–	788,434
Inventories	–	464,554
Projects-in-progress, net of progress billings	–	3,182,365
Other debtors, deposits and prepayments	–	107,238
Trade creditors	–	(2,346,415)
Other creditors and accruals	–	(2,139,137)
Provision for taxation	–	(3,427)
Due to minority shareholders of subsidiaries	–	(139,809)
Lease obligations	–	(30,760)
Deferred taxation	–	(13,080)
Minority interests	–	(53,483)
	<hr/>	<hr/>
Net assets disposed of	–	298,687
Loss on disposal	–	(48,687)
	<hr/>	<hr/>
Proceeds from disposal of subsidiaries	–	250,000
Less: Cash and bank balances of subsidiaries disposed of	–	(234,736)
	<hr/>	<hr/>
Net cash flow from disposal of subsidiaries	–	15,264
	<hr/> <hr/>	<hr/> <hr/>

# Consolidated Statement of Cash Flows

for the year ended 30 June 2005

## D. Acquisition of subsidiaries

The attributable net assets of subsidiaries acquired during the year ended 30 June 2004 were as follows:

	2005	2004
	\$	\$
Property, plant and equipment	–	4,268,414
Other investments	–	163,410
Goodwill on consolidation	–	10,755
Cash and bank balances	–	3,890,773
Fixed deposit	–	6,197,550
Trade debtors	–	9,690,072
Intercompany balances, net	–	(1,794,098)
Inventories	–	11,873,535
Other debtors, deposits and prepayments	–	466,680
Trade creditors	–	(6,975,314)
Other creditors and accruals	–	(1,006,050)
Provision for taxation	–	(844,666)
Lease obligations	–	(97,586)
Bank borrowings	–	(1,508,400)
Deferred taxation	–	(501,184)
	<hr/>	<hr/>
Net assets acquired	–	23,833,891
Add: Goodwill on consolidation	–	1,988,559
Minority interests	–	(11,865,145)
	<hr/>	<hr/>
Total purchase consideration	–	13,957,305
Less: Purchase consideration satisfied via share issue	–	(8,490,150)
	<hr/>	<hr/>
Total purchase consideration satisfied via cash	–	5,467,155
Less: Purchase consideration paid in prior year	–	(5,940,000)
Less: Cash and bank balances of subsidiaries	–	(10,088,323)
	<hr/>	<hr/>
Net cash flow generated from acquisition of subsidiaries	–	(10,561,168)
	<hr/> <hr/>	<hr/> <hr/>

The accounting policies and explanatory notes on pages 30 to 65 form an integral part of the financial statements.

# Notes to the Financial Statements

30 June 2005

## 1. Corporate information

Magnus Energy Group Ltd. (the "Company") is a limited liability company incorporated in Singapore.

The registered office and principal place of business of Magnus Energy Group Ltd. is located at 22 Tagore Lane, Singapore 787480.

The principal activities of the Company are those of provision of mechanical and electrical engineering services and dealing in electrical products. The principal activities of the subsidiaries are as shown in Note 6 to the financial statements. The Group and Company employed 427 and 61 (2004: 435 and 105) employees as of 30 June 2005 respectively.

## 2. Summary of significant accounting policies

### (a) Basis of preparation

The financial statements which are expressed in Singapore dollars, are prepared in accordance with Singapore Financial Reporting Standards (FRS) as required by the Singapore Companies Act, Cap. 50.

The financial statements have been prepared on a historical cost basis modified by the revaluation of building and freehold properties.

The accounting policies have been consistently applied by the Company and except for the changes in accounting policies described more fully below, are consistent with those used in the previous financial year.

### (b) Change in accounting policies

Prior to 1 July 2004, one of the joint venture companies, Mid-Continent Tubular Pte Ltd had treated all transactions in currencies other than Singapore Dollars (SGD) as foreign currencies and were recorded, on initial recognition, in SGD using the exchange rate at the transaction date. On 1 July 2004, the joint venture company adopted INT FRS 19, Reporting Currency - Measurement and Presentation of Financial Statements under FRS 21 and FRS 29, which requires all transactions in currencies other than the measurement currency to be treated as transactions in foreign currencies and to be recorded, on initial recognition, in the measurement currency using the exchange rate at the transaction date.

The measurement currency of Mid-Continent Tubular Pte Ltd is the United States Dollar. The amount of \$270,446 arising from the adoption of INT FRS 19 is included in the profit and loss account for the current financial year. Comparative information is not restated. Moreover, the management is of the view that the comparatives are of no practical benefits to be gained by the shareholders of the Group.

In addition, on 1 July 2004, the Group adopted FRS 103, Business Combinations, revised FRS 36, Impairment of assets and revised FRS 38, Intangible Assets.

The adoption of the above standards resulted in a change in the accounting treatment for goodwill.

FRS 103 requires goodwill acquired in a business combination to be measured at cost less any accumulated impairment losses. Goodwill shall no longer be amortised. Instead, impairment is tested annually, or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The increase in net profit in the current financial year arising from the adoption of FRS 103 on 1 July 2004 amounts to approximately \$206,856.

The transitional provisions of FRS103 have required the Group to eliminate carrying amount of the related accumulated amortisation with a corresponding entry to goodwill (Note 9).



# Notes to the Financial Statements

30 June 2005

## 2. Summary of significant accounting policies (cont'd)

### (c) *Principles of consolidation*

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or sold during the financial year are consolidated for the periods from the date of acquisition or till the date of disposal. Significant intercompany balances, transactions and unrealised profit or loss on intercompany transactions are eliminated on consolidation.

Investments in associated companies are accounted for in the consolidated financial statements using the equity method. The financial statements of foreign associated companies are translated into Singapore dollars at rates of exchange ruling at the balance sheet date. Any unrealised profit or loss arising from transactions with associated companies are eliminated to the extent of the portion attributable to the Group.

Assets and liabilities of the foreign subsidiaries are translated into Singapore dollars at the exchange rates ruling at balance sheet date. The results of foreign subsidiaries are translated into Singapore dollars at the average exchange rates applicable for the financial year. Foreign currency translation adjustments arising on consolidation are shown as a separate component of equity.

The financial statements of jointly controlled entities and joint ventures are proportionately consolidated in the Group financial statements on the basis outlined in paragraph (g).

#### *Goodwill on consolidation*

When a subsidiary or an associated company is acquired, any difference between the consideration paid and the fair values of the net assets acquired represents goodwill on consolidation.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill already carried in the balance sheet is not amortised. Goodwill relating to acquisitions from 1 July 2004 is not amortised. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

### (d) *Subsidiaries*

A subsidiary is defined as a company, in which the Group has a long-term interest of more than 50% of the equity or in whose financial and operating policy decisions the Group controls.

Investments in subsidiaries are stated in the Company's balance sheet at cost and provision is made for impairment losses.

### (e) *Associated companies*

An associated company is a company, not being a subsidiary, in which the Group has an interest of not less than 20% of the equity and in whose financial and operating policy decisions the Group exercises significant influence.

Investments in associated companies are stated in the Company's balance sheet at cost and provision is made for impairment losses.

# Notes to the Financial Statements

30 June 2005

## 2. Summary of significant accounting policies (cont'd)

### (f) *Related parties*

A related party is a company, not being a subsidiary or an associated company, in which one or more of the directors or shareholders of the Company have a significant equity interest or exercise significant influence.

### (g) *Joint venture companies*

A joint venture company is an entity in which the Group and other third parties have an interest and which by contractual arrangement they jointly control the economic activity of the entity. The financial statements of joint venture companies are consolidated in the Group financial statements on a line-by-line basis in accordance with the proportion of the Group's equity interest in the entity.

### (h) *Foreign currencies*

Foreign currency transactions are converted into Singapore dollars at exchange rates closely approximating those ruling at the transaction dates. Foreign currency monetary assets and liabilities outstanding at the balance sheet date are converted into Singapore dollars at the rates of exchange approximating those ruling at that date. All exchange differences arising on conversion are included in the profit and loss account.

### (i) *Property, plant and equipment*

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment loss. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals are capitalised and expenditure for maintenance and repairs are charged to the profit and loss account. When assets are sold or retired, their cost and accumulated depreciation are removed from the financial statements and any gain or loss resulting from their disposal is included in the profit and loss account.

### (j) *Depreciation*

Depreciation is calculated on the straight line method to write off the cost or valuation of property, plant and equipment except for freehold land over their estimated useful lives. The estimated useful lives of property, plant and equipment are as follows:

Leasehold properties	32.5 years
Freehold building	40 - 50 years
Machinery, tools and equipment	3 - 10 years
Motor vehicles	5 - 10 years
Computers	3 - 5 years
Office equipment	5 - 8 years
Furniture and fittings	5 - 10 years
Renovation	6 years
Leasehold buildings and improvements	5 - 15 years

No depreciation is charged for freehold land.

There is no fixed policy with respect to the frequency of valuation of property, plant and equipment. Property, plant and equipment are revalued as and when deemed appropriate by the directors.

# Notes to the Financial Statements

30 June 2005

## 2. Summary of significant accounting policies (cont'd)

### (j) *Depreciation (cont'd)*

Where property, plant and equipment are revalued, any surplus on revaluation is credited to asset revaluation reserve. A decrease in the net carrying amount of the asset revaluation reserve arising on revaluation of property, plant and equipment is charged to the profit and loss account to the extent that it exceeds any surplus held in reserve relating to a previous revaluation of the same assets.

Fully depreciated assets are retained in the accounts until they are no longer in use.

### (k) *Development properties*

Development properties refer to those properties that are intended for sale in the ordinary course of business. They include completed properties and properties in the course of development and are stated at the lower of cost and net realisable value less progress payments received. Development properties consist of land stated at cost and development expenditure incurred to date. Development expenditure includes finance charges and all expenditure incurred in connection with the development of the properties. Finance charges are not capitalised once the development is completed. A development is considered complete on the date of issue of the temporary occupation permit. All known or anticipated losses on the development projects are provided for in the year in which such losses are determined.

### (l) *Quoted investments*

Quoted investments are stated at the lower of cost and market value determined on an aggregate portfolio basis. Dividend income is recorded on a receipt basis.

### (m) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost includes all costs in bringing the inventories to their present location and condition. It is determined on the following basis:

Tubular products	- specific identification
Equipment and spares	- weighted average
Actuators, valves, control systems and electrical products	- first-in, first-out

Net realisable value is the estimated normal selling price, less estimated costs necessary to make the sale.

Provision is made for deteriorated, damaged, obsolete and slow-moving inventories.

### (n) *Projects-in-progress*

Projects-in-progress are valued at cost plus attributable profits net of progress billings and provision for foreseeable losses. Cost includes cost of materials, direct labour and indirect overheads incurred in connection with the contracts.

Provision for foreseeable losses on uncompleted contracts are made in the period in which such losses are determined.

# Notes to the Financial Statements

30 June 2005

## 2. Summary of significant accounting policies (cont'd)

### (o) *Cash and cash equivalents*

Cash consists of cash on hand and cash with banks, including bank overdrafts.

Cash and cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

### (p) *Trade and other receivables*

Trade receivables, which generally have 30 – 90 day terms, are recognised and carried at original invoice amounts less an allowance for any uncollectible amount. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

Receivables from subsidiaries are recognised and carried at cost less an allowance for any uncollectible amount.

### (q) *Trade and other payables*

Liabilities for trade and other amounts payable which are normally settled on 30 – 90 day terms, are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

### (r) *Impairment of assets*

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Impairment losses are treated as a revaluation decrease for property, plant and equipment carried at revalued amount to the extent that the impairment loss does not exceed the amount held in the revaluation surplus for that same asset. The remaining impairment losses are recognised in the profit and loss account.

An impairment loss is only reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. All reversals of impairment are recognised in the profit and loss account.

### (s) *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

### (t) *Leases*

Property, plant and equipment acquired under finance leases are capitalised and depreciated over their estimated useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to income over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account.

# Notes to the Financial Statements

30 June 2005

## 2. Summary of significant accounting policies (cont'd)

### (v) *Borrowing costs*

Borrowing costs are generally expensed as incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditure and borrowing costs are being incurred. Borrowing costs are capitalised until the assets are ready for intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

### (v) *Employee benefits*

#### *Defined contribution plan*

As required by law, the Group makes contributions to the state pension scheme. These contributions are recognised as compensation expense in the same period as the employment that gives rise to the contribution.

#### *Employee leave entitlement*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for leave as a result of services rendered by employees up to the balance sheet date.

### (w) *Revenue recognition*

Revenue from projects is recognised as work progresses, using the percentage-of-completion method. The percentage of completion for a given project is determined after considering the relationship of value of work performed to-date to total contract revenue for the project.

Costs of projects include raw materials, direct labour and other project related expenses incurred during the project period. The project is considered complete when all significant identifiable costs attributable to the project have been incurred. Provision is made for any foreseeable losses as soon as they are known.

Revenue from sale of goods is recognised upon delivery of goods and acceptance by customers.

Maintenance revenue is recognised on a pro-rated basis over the period of the maintenance contract.

Interest income is recognised on an accrual basis.

Dividend income is recognised when the right to receive payment is established.

Group turnover excludes intercompany transactions.

# Notes to the Financial Statements

30 June 2005

## 2. Summary of significant accounting policies (cont'd)

### (x) *Loans and borrowings*

Loans and borrowings are recognised initially at cost net of transaction costs.

### (y) *Income tax*

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled based on tax rates enacted or substantively enacted at the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary difference can be controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax losses and unabsorbed capital allowances, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax losses and unused tax credits can be utilised.

At each balance sheet date, the group re-assesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The group conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Deferred tax are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly to equity.

### (z) *Segments*

For management purposes, the Group is organised on a world-wide basis into seven major operating businesses. The divisions are the bases on which the Group reports its primary segment information.

Segment revenue, expenses and results include transfers between business segments and between geographical segments. Such transfers are accounted for on an arm's length basis.

# Notes to the Financial Statements

30 June 2005

## 3. Share capital

	Group and Company	
	2005	2004
	\$	\$
Authorised:		
- 2,000,000,000 (2004: 2,000,000,000) ordinary shares of \$0.05 each	100,000,000	100,000,000
Issued and fully paid:		
At beginning of year		
- 1,149,484,200 (2004: 879,618,000) ordinary shares of \$0.05 each	57,474,210	43,980,900
Issued during the year		
- issuance of 100,000,000 ordinary shares of \$0.05 each via private placement	-	5,000,000
- issuance of 63,200 ordinary shares of \$0.05 each upon exercise of Warrants 2003	-	3,160
- issuance of 169,803,000 ordinary shares of \$0.05 each as partial satisfaction for the acquisition of shares in Mid-Continent Equipment Group Pte Ltd	-	8,490,150
At end of year		
1,149,484,200 (2004: 1,149,484,200) ordinary shares of \$0.05 each	57,474,210	57,474,210

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

## 4. Reserves

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Share premium	3,842	3,842	3,842	3,842
Capital reserve	3,943,807	3,919,525	3,789,964	3,789,964
Translation reserve	(105,664)	(168,476)	-	-
Accumulated losses	(35,353,809)	(26,523,374)	(38,069,773)	(30,269,938)
	<u>(31,511,824)</u>	<u>(22,768,483)</u>	<u>(34,275,967)</u>	<u>(26,476,132)</u>

# Notes to the Financial Statements

30 June 2005

## 4. Reserves (cont'd)

The share premium account may be applied only for the purposes specified in the Companies Act. The balance is not available for distribution of dividends except in the form of shares.

The capital reserve include the renounceable rights issue of Warrants 2006 carrying the right to subscribe for new ordinary shares of \$0.05 each in the capital of the Company at an issue price of \$0.022 for each Warrant 2006 on the basis of one Warrant 2006 for every four ordinary shares held by the shareholders and the net reserve on consolidation taken directly to shareholders' interests. The balance is not available for distribution of dividends except in the form of shares.

In accordance with Singapore Financial Reporting Standard No. 1, movements in reserves of the Group are set out in the Statement of Changes in Equity of the Group.

	Group	
	2005	2004
	\$	\$
Accumulated (losses)/ profit are retained in:		
- the Company	(38,069,773)	(30,269,938)
- subsidiaries	2,729,666	(2,431,345)
- associated companies	(13,702)	6,177,909
	<hr/>	<hr/>
	(35,353,809)	(26,523,374)
	<hr/>	<hr/>



# Notes to the Financial Statements

30 June 2005

5. Property, plant and equipment	At cost										At valuation			
	Freehold properties \$	Leasehold properties \$	Leasehold buildings and improvements \$	Machinery, tools and equipment \$	Motor vehicles \$	Computers \$	Office equipment \$	Furniture and fittings \$	Renovation \$	Building \$	Freehold properties \$	Total \$		
Cost or Valuation														
As at 1.7.2004	1,013,000	832,410	345,439	6,144,517	2,051,042	933,636	818,642	585,417	640,681	255,000	7,019,592	20,639,376		
Additions	277,200	-	-	2,757,140	372,857	180,216	18,232	70,153	-	-	-	3,675,798		
Disposals/write off	-	-	-	(877,020)	(386,759)	(19,062)	-	(6,419)	-	-	-	(1,289,260)		
Currency realignment	8,475	(13,496)	(280)	(7,203)	2,253	183	(7,246)	887	-	-	-	(16,427)		
Transfer to asset held for sale (Note 11)	-	-	-	(404,237)	-	-	-	-	-	-	-	(404,237)		
Reclassification	-	-	-	519,631	-	-	-	-	(519,631)	-	-	-		
As at 30.6.2005	1,298,675	818,914	345,159	8,132,828	2,039,393	1,094,973	829,628	650,038	121,050	255,000	7,019,592	22,605,250		
Accumulated depreciation														
As at 1.7.2004	49,775	122,976	299,157	3,535,857	1,229,200	712,301	717,854	504,641	352,098	-	2,308	7,526,167		
Charge for the year	7,508	36,143	7,072	929,001	256,755	98,021	36,748	26,596	7,496	-	596	1,405,936		
Disposals/write off	-	-	-	(228,156)	(301,632)	(18,421)	-	(4,302)	-	-	-	(552,511)		
Provision for impairment loss	-	624,324	-	-	15,338	5,030	7,900	11,419	-	5,000	2,386,688	3,055,699		
Currency realignment	1,840	(1,068)	(190)	(2,830)	58	228	(7,017)	552	-	-	-	(8,427)		
Reclassification	-	-	-	268,620	-	-	-	-	(268,620)	-	-	-		
As at 30.6.2005	59,123	782,375	306,039	4,502,492	1,199,719	797,159	755,485	538,906	90,974	5,000	2,389,592	11,426,864		
Charge for 2004	1,386	41,673	18,952	171,273	160,943	38,623	33,742	20,875	26,637	6,600	596	521,300		
Net book value														
As at 30.6.2005	1,239,552	36,539	39,120	3,630,336	839,674	297,814	74,143	111,132	30,076	250,000	4,630,000	11,178,386		
As at 30.6.2004	963,225	709,434	46,282	2,608,660	821,842	221,335	100,788	80,776	288,583	255,000	7,017,284	13,113,209		

# Notes to the Financial Statements

30 June 2005

## 5. Property, plant and equipment (cont'd)

Company	At cost						At valuation		
	Leasehold properties \$	Machinery, tools and equipment \$	Motor vehicles \$	Computers \$	Office equipment \$	Furniture and fittings \$	Renovation \$	Freehold land \$	Total \$
Cost									
As at 1.7.2004	249,762	49,025	381,242	87,478	19,980	69,108	52,248	5,874,592	6,783,435
Additions	-	-	-	11,002	6,750	2,666	-	-	20,418
Disposal	-	-	-	(13,619)	-	-	-	-	(13,619)
As at 30.6.2005	249,762	49,025	381,242	84,861	26,730	71,774	52,248	5,874,592	6,790,234
Accumulated depreciation									
As at 1.7.2004	76,849	45,853	267,180	71,668	14,606	64,838	16,211	2,308	559,513
Charge for the year	7,685	1,267	27,278	8,864	1,570	1,870	6,855	596	55,985
Impairment loss	128,688	-	-	-	-	-	-	2,371,688	2,500,376
Disposal	-	-	-	(13,619)	-	-	-	-	(13,619)
As at 30.6.2005	213,222	47,120	294,458	66,913	16,176	66,708	23,066	2,374,592	3,102,255
Charge for 2004	7,685	3,366	25,931	4,684	946	1,763	5,096	596	50,067
Net book value									
As at 30.6.2005	36,540	1,905	86,784	17,948	10,554	5,066	29,182	3,500,000	3,687,979
As at 30.6.2004	172,913	3,172	114,062	15,810	5,374	4,270	36,037	5,872,284	6,223,922

# Notes to the Financial Statements

30 June 2005

## 5. Property, plant and equipment (cont'd)

### Group

The Group's freehold land and building stated at valuation were valued by the directors on the basis of open market value for existing use. Had the freehold land and building been stated at cost less accumulated depreciation, the net book value of the freehold land and building as at 30 June 2005 would have been approximately \$8,926,550 (2004: \$8,934,000).

As at 30 June 2005, the Group had motor vehicles under finance leases with a net book value of approximately \$477,441 (2004: \$482,000).

### Company

As at 30 June 2005, the Company had motor vehicles under finance leases with a net book value of approximately \$ Nil (2004: \$15,000).

## 6. Investment in subsidiaries

(a) Investment in subsidiaries comprises:

	Company	
	2005	2004
	\$	\$
Unquoted equity shares at cost	21,522,881	9,760,997
Additional investment in subsidiaries	2,693,114	13,957,307
Disposal of subsidiaries	(700,000)	(2,195,423)
	23,515,995	21,522,881
Less: Provision for impairment loss	(7,118,068)	(6,754,625)
	16,397,927	14,768,256
Movements in provision for impairment of investment during the year are as follows:		
At beginning of year	(6,754,625)	(6,754,625)
Provision for the year	(1,063,443)	-
Provision utilised	700,000	-
	(7,118,068)	(6,754,625)

# Notes to the Financial Statements

30 June 2005

## 6. Investment in subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June 2005:

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment held by the Company	
			2005 %	2004 %	2005 \$	2004 \$
<b>Held by the Company</b>						
Victrad Enterprise (Pte) Ltd *	Electrical contracting and the provision of project management services	Singapore	100	100	2,264,303	464,303
Strike Construction Pte Ltd *	Building construction and installation, provision of electrical and mechanical engineering services	Singapore	52	52	260,439	260,439
Strike Development Pte Ltd *	Property development	Singapore	51	51	510,000	510,000
Gredanian Pte Ltd ##	Property development	Singapore	–	70	–	700,000
Gordon (H.K.) Designer and Engineer Limited **	Interior architecture, design and decoration services	Hong Kong	51	51	5,630,832	5,630,832
Antiq Investments Pte. Ltd. *	Investment holdings	Singapore	100	100	2	2
Development Bank of Strike #	Financial Services	Myanmar	75	–	893,114	–
Mid-Continent Equipment Group Pte Ltd *	Investment holding and supply of equipment, tools and accessories used in the oil drilling business, distribution of tubular products, equipment and spares, provision of environmental and waste management services, fabrication and installation of control systems and testing of valve actuation	Singapore	54.35	54.35	13,957,305	13,957,305

# Notes to the Financial Statements

30 June 2005

## 6. Investment in subsidiaries (cont'd)

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment held by the Company	
			2005 %	2004 %	2005 \$	2004 \$
<b>Held by Victrad Enterprise (Pte) Ltd</b>						
Development Bank of Strike #	Financial Services	Myanmar	–	75	–	–
<b>Held by Strike Construction Pte Ltd</b>						
Progressive Builders Private Limited *	Provision of project management, building construction and installation services and related activities	Singapore	100	100	–	–
<b>Held by Mid-Continent Equipment Group Pte Ltd</b>						
Mid-Continent Petro-Chemical Pte Ltd *	Market chemicals, equipment and other petro-chemical related products to refineries	Singapore	54.35	54.35	–	–
Mid-Continent Services Pte. Ltd. (under voluntary liquidation) #####	Provide administrative support services	Singapore	54.35	54.35	–	–
Mid-Continent Equipment (Australia) Pty Ltd ***	Supply of oilfield and mining equipment	Australia	54.35	54.35	–	–
Mid-Continent Enterprises, LLC ###	Holding of warehouse property	USA	54.35	54.35	–	–
Mid-Continent Equipment, Inc. ****	Oilfield equipment supply	USA	54.35	54.35	–	–
Mid-Continent Environmental Project Pte Ltd *	Sale and rental of decanters and provision of environmental and waste management services	Singapore	54.35	54.35	–	–
Wilmax Control Systems Pte Ltd *	Fabrication of control systems, installation and testing of valve actuation	Singapore	27.72	27.72	–	–
Citation Exploration Services Pte Ltd #####	Provision of drilling services to mining industry	Singapore	27.72	–	–	–

# Notes to the Financial Statements

30 June 2005

## 6. Investment in subsidiaries (cont'd)

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment held by the Company	
			2005 %	2004 %	2005 \$	2004 \$
<b>Held by Wilmax Control Systems Pte Ltd</b>						
Wilmax Engineering Pte Ltd *	Designing and fabrication of skid mounted process system and aviation refuelling system	Singapore	19.68	19.68	—	—
Peninsular Offshore Systems Sdn Bhd *****	Supply of oilfield equipment and provision of related services	Malaysia	14.14	14.14	—	—
Wilmax Waters Pte Ltd ##	Designing and building waste water treatment equipment and provision of environment and waste management services	Singapore	—	9.24	—	—
<b>Held by Mid-Continent Environmental Project Pte Ltd</b>						
Wilmax Water Pte Ltd ##	Designing and building waste water treatment equipment and provision of environment and waste management services	Singapore	—	18.11	—	—
<b>Held by Mid-Continent Equipment (Australia) Pty Ltd</b>						
Tubular Leasing Australia Pty Ltd ***	Renting or leasing drill pipes and drilling accessories	Australia	27.72	—	—	—
					23,515,995	21,522,881

\* Audited by Ernst & Young, Singapore.

\*\* Audited by Ho Tak Sang & Co, Hong Kong.

\*\*\* Audited by Ernst & Young, Australia.

\*\*\*\* Audited by Certified Public Accounting Firm, BKD LLP USA.

\*\*\*\*\* Audited by Certified Public Accounting Firm, B.L. Tan & Co, Malaysia.

# Not required to be audited under the laws of its country of incorporation. During the financial year, the Company terminated the agreement with a subsidiary to assign the rights in Development Bank of Strike, consequently, Development Bank of Strike became a subsidiary of the Company.

## The subsidiaries were liquidated during the financial year.

### No statutory audit required in the company of incorporation.

#### Not required to be audited as it is the first year of incorporation.

##### The subsidiary was placed under members' voluntary liquidation during the financial year.

# Notes to the Financial Statements

30 June 2005

## 7. Associated companies

(a) Investment in associated companies comprises:

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Unquoted equity shares at cost	22,000	22,000	-	-
Quoted equity shares at cost	-	7,747,352	-	7,747,352
Goodwill on acquisition	-	(6,794,798)	-	-
	<u>22,000</u>	<u>974,554</u>	<u>-</u>	<u>7,747,352</u>
Share of post-acquisition (losses)/profits	(13,702)	6,177,909	-	-
	<u>8,298</u>	<u>7,152,463</u>	<u>-</u>	<u>7,747,352</u>

(b) Details of the associated companies are as follows:

Name of Company	Principal activities	Country of incorporation and place of business	Effective equity interest held by the Group		Cost of investment	
			2005	2004	2005	2004
			%	%	\$	\$
<b>Held by the Company</b>						
Lantrovision (S) Ltd *	Supply, design, installation and provision of consultancy services on network integration and structured cabling and those of electrical contractors and suppliers of electrical hardware and fittings	Singapore	-	21.24	-	7,747,352
<b>Held by Mid-Continent Equipment Group Pte Ltd</b>						
Mohebi-Midcontinent Oilfield Supply Limited Liability Company **	Trading in oilfield equipment and spare parts	United Arab Emirates	26.63	26.63	-	-
<b>Held by Mid-Continent Environment Project Pte Ltd</b>						
MEP Environmental Services Sdn Bhd ***	Provision of environmental and waste management services	Malaysia	27.18	27.18	22,000	22,000
					<u>22,000</u>	<u>7,769,352</u>

\* Audited by Ernst & Young, Singapore.

\*\* Audited by Ernst & Young, United Arab Emirates.

\*\*\* Audited by Certified Public Accounting firm, Yap & Associate, Malaysia.

# Notes to the Financial Statements

30 June 2005

## 8. Joint venture companies

The joint venture companies are held by a subsidiary. The subsidiary's share of the joint venture companies' assets and liabilities which have been consolidated on a line-by-line basis are as follows:

	Group	
	2005 \$	2004 \$
Fixed assets	10,000	87,000
Long-term quoted investments	458,000	471,000
Current assets	13,677,000	12,699,000
Current liabilities	(8,547,000)	(9,749,000)
Deferred taxation	(1,000)	(8,000)
	<u>5,597,000</u>	<u>3,500,000</u>

The subsidiary's share of the profit and loss accounts of the joint venture companies are as follows:

Turnover	<u>33,044,000</u>	<u>30,023,000</u>
Profit before taxation	2,835,000	1,855,000
Taxation	(521,000)	(341,000)
Profit for the financial year	<u>2,314,000</u>	<u>1,514,000</u>

Details of the joint venture companies at end of financial year are as follows:

Name of company	Principal Activities	Country of incorporation and place of business	Effective equity interest held by the Group	
			2005 %	2004 %
Mid-Continent Tubular Pte Ltd *	Trading of oilwell tubular products and the provision of related services	Singapore	27.18	27.18
Mid-Continent Tubular Limited (Liquidated)	Trading of oilwell tubular products and the provision of related services	Hong Kong	–	27.18

\* Audited by Ernst & Young Singapore.



# Notes to the Financial Statements

30 June 2005

## 9. Goodwill on consolidation

	\$
<b>Cost</b>	
Balance at 1.7.2004	9,816,307
Disposal of shares in an associated company	(6,794,799)
Goodwill written off	(10,755)
Elimination of accumulated amortisation	<u>(1,155,050)</u>
Balance at 30.6.2005	<u>1,855,703</u>
<b>Accumulated amortisation</b>	
Balance at 1.7.2004	5,066,335
Disposal of shares in an associated company	(3,911,285)
Elimination of accumulated amortisation	<u>(1,155,050)</u>
Balance at 30.6.2005	<u>-</u>
Amortisation charge for 2004	<u>761,043</u>
<b>Net book value</b>	
Balance at 30.6.2005	<u>1,855,703</u>
Balance at 30.6.2004	<u>4,749,972</u>

## 10. Quoted investments

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Quoted equity shares at cost	4,053,448	564,055	1,551,001	-
Provision for impairment	(196,019)	(87,578)	-	-
	<u>3,857,429</u>	<u>476,477</u>	<u>1,551,001</u>	<u>-</u>
Market value	<u>4,979,971</u>	<u>1,184,005</u>	<u>1,667,668</u>	<u>-</u>

Movements in provision for impairment in value of investment during the year are as follows:

At beginning of year	(87,578)	-
Provision for the year	(108,441)	-
Arising from acquisition of subsidiaries	-	(87,578)
At end of year	<u>(196,019)</u>	<u>(87,578)</u>

# Notes to the Financial Statements

30 June 2005

## 11. Asset held for sale

	Group	
	2005	2004
	\$	\$
Machinery, tools and equipment (Note 5)	404,237	–

The asset held for sale is a drilling rig purchased by the newly incorporated subsidiary company, Citation Exploration Services Pte Ltd ("CES") during the financial year. CES will sell this drilling rig in the next financial year.

## 12. Development properties

	Group	
	2005	2004
	\$	\$
Cost of land	9,388,558	9,388,558
Interest capitalised	1,832,253	1,832,253
Development and related costs	7,934,512	7,934,512
	19,155,323	19,155,323
Less: Progress billings	(13,608,800)	(11,843,800)
Less: Attributable loss	(5,546,523)	(4,860,916)
Less: Provision for project losses	–	(685,607)
	–	1,765,000
Interest capitalised during the year	–	106,827

Movements in provision for project losses during the year are as follows:

At beginning of year	685,607	4,257,422
Write-back of provision for the year	–	(23,964)
Provision utilised	(685,607)	(3,547,851)
At end of year	–	685,607

# Notes to the Financial Statements

30 June 2005

## 13. Inventories

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Finished goods:				
- At cost	5,575,078	10,009,898	68,319	31,344
- At net realisable value	3,688,418	2,239,518	-	-
Work-in-progress (at net realisable value)	3,714,649	605,890	-	-
Goods-in-transit (at cost)	477,518	1,183,218	-	-
	<u>13,455,663</u>	<u>14,038,524</u>	<u>68,319</u>	<u>31,344</u>
Finished goods are stated after deducting provision for stock obsolescence	<u>50,893</u>	<u>95,000</u>	<u>-</u>	<u>-</u>
Analysis of provision for stock obsolescence:				
At beginning of year	95,000	-	-	-
Currency realignment	(333)	-	-	-
Attributable to acquisition of a subsidiary	-	95,000	-	-
Provision written back	(26,028)	-	-	-
Written off against provision	(17,746)	-	-	-
At end of year	<u>50,893</u>	<u>95,000</u>	<u>-</u>	<u>-</u>

## 14. Projects-in-progress/progress billings in excess of costs

Projects-in-progress	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Project costs	92,269,640	91,116,041	28,740,956	38,150,210
Attributable profits	8,369,623	10,572,778	2,663,466	4,135,025
Less: Provision for foreseeable project losses	(590,314)	-	(173,277)	-
	<u>100,048,949</u>	<u>101,688,819</u>	<u>31,231,145</u>	<u>42,285,235</u>
Less: Progress billings received and receivable	(89,509,988)	(94,572,421)	(30,518,518)	(39,688,429)
	<u>10,538,961</u>	<u>7,116,398</u>	<u>712,627</u>	<u>2,596,806</u>

# Notes to the Financial Statements

30 June 2005

## 14. Projects-in-progress/progress billings in excess of costs (cont'd)

Analysis of provision for foreseeable project losses:

	Group		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
Balance at beginning of year	-	47,940	-	-
Charge during the year	590,314	-	173,277	-
Attributable to disposal of subsidiaries	-	(47,940)	-	-
	<u>590,314</u>	<u>-</u>	<u>173,277</u>	<u>-</u>
<b>Progress billings in excess at costs</b>				
Progress billings received and receivable	56,195,920	32,878,745	5,311,180	12,977,151
Less: Project costs	(50,670,731)	(30,036,254)	(4,937,344)	(11,498,943)
Less: Attributable profits	(2,615,848)	(1,554,911)	(245,429)	(995,868)
	<u>2,909,341</u>	<u>1,287,580</u>	<u>128,407</u>	<u>482,340</u>

Included in projects-in-progress and progress billings in excess of cost during the year are personnel expenses of the Group and the Company amounting to \$3,028,879 (2004: \$2,161,856) and \$837,096 (2004: \$1,469,561) respectively as disclosed in Note 30.

## 15. Trade debtors

	Group		Company	
	2005 \$	2004 \$	2005 \$	2004 \$
Trade debtors	21,314,633	15,659,093	100,231	114,792
Less: Provision for doubtful trade debts	(886,355)	(721,120)	-	-
	<u>20,428,278</u>	<u>14,937,973</u>	<u>100,231</u>	<u>114,792</u>

## 16. Loan to subsidiaries

These amounts are unsecured, interest-free (2004: 5.7%) per annum and are repayable on demand.

# Notes to the Financial Statements

30 June 2005

## 17. Other debtors, deposits and prepayments

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Other debtors	1,034,358	1,305,828	12,771	–
Deposits	1,228,658	480,323	10,026	29,360
Prepayments	52,849	104,252	–	–
Advances to staff	7,400	66,084	4,200	14,000
Tax recoverable	251,127	161,747	385,691	244,035
	<u>2,574,392</u>	<u>2,118,234</u>	<u>412,688</u>	<u>287,395</u>

Advances to staff are unsecured, interest free and repayable monthly via salary deduction.

## 18. Due from subsidiaries (non-trade)/due from related parties (non-trade)/ Due from associated companies (non-trade)/ Due to minority shareholders of subsidiaries (non-trade)/ Due to subsidiaries (non-trade)/due to related parties (trade)

The non-trade amounts are unsecured, interestfree and repayable on demand.

The trade amounts are unsecured and interestfree, except for an amount due to a related party of \$1,875,360 (2004: \$3,782,645), which bears interest at 5% (2004: 5%) per annum.

## 19. Fixed deposits

Fixed deposits bear interest ranging from 0.5% to 3.0% (2004: 0.3% to 3.0%) per annum.

A subsidiary's fixed deposits of \$5,858,531 (2004: \$5,845,330) are pledged as security to certain banks for credit facilities.

The remaining fixed deposits of \$220,472 (2004: \$417,497) are free from encumbrances.

## 20. Other creditors and accruals

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Other creditors	1,958,287	2,342,752	22,310	236,122
Accrued operating expenses	1,906,279	3,170,564	184,099	154,255
Advance from customers	715,834	661,883	–	–
	<u>4,580,400</u>	<u>6,175,199</u>	<u>206,409</u>	<u>390,377</u>

# Notes to the Financial Statements

30 June 2005

## 21. Short term bank loans (secured)

The Group's short term bank loans bear interest ranging from 2.62% to 5.10% (2004: 2.5% to 2.7%) per annum and is secured by:

- (i) a letter of guarantee from the subsidiary;
- (ii) a first fixed charge on the joint venture company's receivables; and
- (iii) a first floating charge on all of the joint venture company's undertaking, property, assets and rights. The Group's share of the joint venture company's assets pledged to banks amount to \$14,145,673 (2004: \$13,179,223)

## 22. Lease obligations

Group	Minimum Payments \$	Interest \$	Present value of payments \$
<b>2005</b>			
1 year to 5 years	164,737	(22,564)	142,173
Later than 5 years	17,664	(2,450)	15,214
	<hr/>	<hr/>	<hr/>
	182,401	(25,014)	157,387
Not later than 1 year	80,561	(5,540)	75,021
	<hr/>	<hr/>	<hr/>
	262,962	(30,554)	232,408
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>2004</b>			
1 year to 5 years	163,264	(10,487)	152,777
Later than 5 years	2,054	(274)	1,780
	<hr/>	<hr/>	<hr/>
	165,318	(10,761)	154,557
Not later than 1 year	92,035	(5,505)	86,530
	<hr/>	<hr/>	<hr/>
	257,353	(16,266)	241,087
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
<b>Company</b>	<b>Minimum Payments \$</b>	<b>Interest \$</b>	<b>Present value of payments \$</b>
<b>2005</b>			
There are no lease obligations for the Company as at year end.			
<b>2004</b>			
Not later than 1 year	6,094	(770)	5,324
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Lease terms range from 1 year to 7 years. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The effective interest rate of these leases range from 4.15% to 7.12% (2004: 4.15% to 7.12%) per annum.

# Notes to the Financial Statements

30 June 2005

## 23. Bank term loans (secured)

A bank loan of a subsidiary of HK\$3,200,000 (2004: HK\$3,200,000) bears interest at 2% per annum below the HK\$ prime rate and is repayable over 85 monthly instalments. The final instalment is repayable on maturity in August 2010. The loan is secured on the personal property of a subsidiary's director.

## 24. Bills payable to banks (unsecured)

The effective interest rates of the bills payable range from 2.375% to 7.38% (2004: 2.06% to 7.75%) per annum.

## 25. Bank overdrafts (unsecured)

The effective interest rates of the bank overdrafts range from 5.70% to 6.75% (2004: 5.25% to 6.0%) per annum.

## 26. Turnover

Turnover comprises the following:

	Group	
	2005	2004
	\$	\$
Revenue from projects	40,001,255	64,336,627
Sale of goods and services	92,493,228	16,992,142
Rendering of services	3,111,394	–
	135,605,877	81,328,769
	135,605,877	81,328,769

## 27. Other operating income

	Group	
	2005	2004
	\$	\$
Dividend income	25,328	–
Loss on disposal of subsidiaries	–	(48,687)
Gain on disposal of quoted investments	–	2,562,192
Management fees	9,694	4,859
Rental income	20,459	25,210
Services income	448,830	500,655
Others	209,079	65,568
	713,390	3,109,797
	713,390	3,109,797

# Notes to the Financial Statements

30 June 2005

## 28. (Loss)/profit from operations

This is determined after charging/ (crediting) the following:

	Group	
	2005	2004
	\$	\$
Amortisation of goodwill on consolidation	–	761,043
Non-audit fees paid to		
- auditors of the Company	46,930	50,847
- other auditors	11,120	13,551
Bad non-trade debts written off	–	1,071,072
Bad trade debts written off	187,437	98,294
Depreciation of property, plant and equipment (Note 5)	1,405,936	521,300
Directors' remuneration		
- directors of the Company	873,875	733,602
- directors of subsidiaries	1,546,683	585,920
Directors' fees		
- directors of the Company	68,450	68,450
Foreign exchange loss/(gain) - net	203,852	(70,705)
Forgiveness of loan from minority shareholders of a subsidiary	–	(512,873)
Gain on disposal of property, plant and equipment	(638,316)	–
Impairment of goodwill	10,755	–
Loss on disposal of associated company - quoted	422,648	–
Loss on disposal of quoted investment	4,107,510	–
Loss on disposal of development property	–	221,632
Loss on disposal of investment properties	–	290,092
Loss on disposal of investment in subsidiaries	–	48,687
Loss on disposal of property, plant and equipment	–	12,520
Operating lease expenses	616,909	375,787
Preliminary expenses written off	–	1,605
Provision for obsolete stocks written back	(26,028)	–
Property, plant and equipment written off	2,117	–
Provision for doubtful trade debts	189,198	164,399
Provision for doubtful non-trade debts	555,882	576,513
Provision for impairment in value of property, plant and equipment	3,055,699	950,222
Provision for impairment losses - quoted investments	108,441	–

## 29. Directors' and executives' remuneration

Directors' remuneration and fees totalled \$2,489,008 (2004: \$1,387,972). Executive officers' remuneration totalled \$631,282 (2004: \$500,038).



# Notes to the Financial Statements

30 June 2005

## 30. Personnel expenses

	Group	
	2005	2004
	\$	\$
Wages, salaries and bonuses	9,087,566	4,368,180
Pension fund contributions	756,824	388,736
Other personnel expenses	238,901	112,808
Directors' remuneration	2,489,008	1,387,972
	12,572,299	6,257,696
	12,572,299	6,257,696

Included in personnel expenses are the following amounts included as part of projects-in-progress and progress billings in excess of costs as disclosed in Note 14.

	Group	
	2005	2004
	\$	\$
Wages, salaries and bonuses	2,713,710	1,942,851
Pension fund contributions	207,791	194,349
Other project staff costs	65,638	24,656
Directors' remuneration	41,740	-
	3,028,879	2,161,856
	3,028,879	2,161,856

## 31. Directors' remuneration

The remuneration of directors of the Company in the various remuneration bands is as follows:

	2005			2004		
	Executive Directors	Non- Executive Directors	Total	Executive Directors	Non- Executive Directors	Total
\$500,000 and above	-	-	-	-	-	-
\$250,000 to \$499,999	1	-	1	-	-	-
\$0 to \$249,999	5	4	9	6	4	10
	6	4	10	6	4	10
	6	4	10	6	4	10

# Notes to the Financial Statements

30 June 2005

## 32. Financial income/financial expenses

	Group	
	2005	2004
	\$	\$
<b>Financial income</b>		
Interest income		
- bank balances	105,124	31,818
- fixed deposits	788	-
	105,912	31,818
	105,912	31,818
<b>Financial expense</b>		
Interest expense		
- finance leases	(12,681)	(9,900)
- term loans	-	(335,673)
- bank overdrafts	(265,146)	(177,343)
- bills payable to banks	(5,874)	(24,936)
- trade creditor	(7,292)	-
	(290,993)	(547,852)
Bank charges	(166,619)	(51,850)
	(457,612)	(599,702)
	(457,612)	(599,702)

## 33. Tax

	Group	
	2005	2004
	\$	\$
Current tax		
- current year	1,471,292	1,122,359
- overprovision in respect of prior year	(909,661)	(23,454)
Deferred tax		
- current year	21,970	13,479
- overprovision in respect of prior year	(12,526)	(12,263)
Associated companies	25,969	324,602
	597,044	1,424,723
	597,044	1,424,723

# Notes to the Financial Statements

30 June 2005

## 33. Tax (cont'd)

A reconciliation of the statutory tax rate to the Group's effective tax rate applicable to income from continuing operations for the year ended 30 June is as follows:

	Group	
	2005 \$	2004 \$
Loss before taxation and share of results of associated companies	(6,689,345)	(470,795)
Tax at the applicable tax rate of 20% (2004: 20%)	(1,337,869)	(94,159)
Tax effect of expenses that are not deductible in determining taxable profit	2,403,530	1,089,622
Tax effect of income that are not taxable in determining taxable profit	(26,241)	(955,932)
Over provision in respect of prior year	(922,187)	(35,717)
Deferred tax asset not recognised	498,881	957,261
Effect of different tax rates in other countries	(201,853)	139,046
Associated companies	25,969	324,602
Others	156,814	-
	597,044	1,424,723

### *The Group*

The Group has unutilised tax losses and unabsorbed capital allowances of approximately \$7,819,925 and \$423,096 respectively as at 30 June 2005 (2004: \$9,243,961 and \$Nil) available for offset against future taxable profits, subject to compliance with the relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate and agreement with the tax authorities. The potential deferred tax assets arising from these unutilised tax losses and unabsorbed capital allowances have not been recognised in the financial statements in accordance with the accounting policy as stated in Note 2 to the financial statements.

Movements in deferred tax assets and liabilities during the year are as follows:

Group	At 1 July 2004 \$	Debited/ (credited) to profit and loss account \$	At 31 June 2005 \$
<b>Deferred tax assets</b>			
Provisions	(46,000)	(9,431)	(55,431)
<b>Deferred tax liabilities</b>			
Property, plant and equipment	439,967	(76,046)	363,921
Other timing differences	79,800	94,921	174,721
	519,767	18,875	538,642
	473,767	9,444	483,211
<b>Company</b>			
<b>Deferred tax liabilities</b>			
Timing differences	32,800	-	32,800

# Notes to the Financial Statements

30 June 2005

## 34. Loss per share

Basic earnings per share is calculated by dividing the Group's loss attributable to shareholders of \$8,806,153 (2004: \$1,715,331) by the weighted average number of shares in issue during the year of 1,149,484,200 shares (2004: weighted average of 962,566,781 shares).

Diluted earnings per share is the same as basic earnings per share as the effects of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings per share.

## 35. Operating lease commitments

The Group leases certain properties under lease agreements that are non-cancellable within a year. The leases contains renewable options and does not contain restrictions on the Group's activities concerning dividends, additional debt or further leasing. Future minimum lease payments with initial or remaining lease terms of one year or more are as follows:

	Group	
	2005	2004
	\$	\$
Within 1 year	331,164	373,000
After 1 year but not more than 5 years	100,055	94,000
	<u>431,219</u>	<u>467,000</u>

## 36. Contingent liabilities (unsecured)

Contingent liabilities not provided for in the financial statements:

	Group		Company	
	2005	2004	2005	2004
	\$	\$	\$	\$
Products warranty	1,425,290	180,000	52,000	32,000
Performance bonds indemnity	3,385,980	3,425,087	17,988	135,718
Corporate guarantees	7,530,433	5,804,557	-	-
	<u>12,341,703</u>	<u>9,409,644</u>	<u>69,988</u>	<u>167,718</u>

- (i) The Company is providing financial support to a wholly-owned subsidiary to enable it to operate as a going concern.
- (ii) A subsidiary is providing financial support to certain of its subsidiaries to enable them to operate as going concerns.

# Notes to the Financial Statements

30 June 2005

## 36. Contingent liabilities (unsecured) (cont'd)

- (iii) A shareholder and former director of a subsidiary ("Plaintiff") claimed against the subsidiary for the sum of HK\$1,439,805 as amount due. The subsidiary denied the claim and counterclaimed for the sum of HK\$9,326,289 and RMB550,000 against the Plaintiff. On 1 December 2004, the Plaintiff requested to settle the cash with each party withdrawing the claims against the other. The subsidiary's legal counsels are of the opinion that the case will be settled with no financial loss or gain to the subsidiary.
- (iv) Another shareholder and director of the subsidiary claimed against the subsidiary for the sum of HK\$3,525,626 as amount due and HK\$793,927 being outstanding salary, etc respectively. The claims are denied by the subsidiary and a counterclaim of HK\$9,326,289 is lodged against the Plaintiff.
- (v) A bank claimed against a shareholder and former director ("1st Defendant") and a subsidiary (2nd Defendant) for the amount due to the bank by the subsidiary of approximately HK\$1,200,000. As the said outstanding debt is secured by a legal charge of a property of the 1st Defendant as stated in Note 23, the legal counsels of the subsidiary anticipated that the 1st Defendant will eventually settle the amount claimed and take proceedings against the subsidiary for compensation. As at 30 June 2005, the principal loan payable reflected in the subsidiary's financial statements was HK\$1,111,771.

## 37. Capital commitment

	Group	
	2005	2004
	\$	\$
Capital expenditure not provided for in the financial statements		
- commitments in respect of capital contribution in a subsidiary	117,286	145,000
- commitments in respect of contracts placed	3,601,000	2,028,000
	3,718,286	2,173,000
	3,718,286	2,173,000

## 38. Subsequent events

Subsequent to the end of the financial year,

### Company

- (a) The Company disposed of its freehold property at 422 Tagore Industrial Avenue for a consideration of \$3,500,000. As at 30 June 2005, a provision for impairment loss of \$2,371,688 has been made. Proceeds from the sale will be used for working capital purposes.

### Group

- (b) A subsidiary has entered into a Farmout Agreement with Innamincka Petroleum Limited and Vernon E Faulconer Australia Inc to earn a 25% participating interest in Petroleum Exploration Licence 101 granted under the Petroleum Act 2000 of South Australia by contributing A\$2.5 million in cash towards the cost of the upcoming field program.

# Notes to the Financial Statements

30 June 2005

## 39. Significant related party transactions

In addition to related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties, were as follows:

	2005	Group	2004
	\$		\$
<i>Associated company</i>			
Sales	–		1,267,032
Purchases	–		165,669

## 40. Segment information

Segment accounting policies are the same as the policies of the Group as described in Note 2. The Group generally accounts for inter-segment sales and transfers as if the sales or transfers were to third parties at current market price.

### (a) *Business segments*

The Group is organised on a worldwide basis into seven main operating segments, namely:

- Electrical engineering
- Building and Mechanical engineering
- Information technology cabling
- Networking
- Architecture and design
- Property development
- Oilfield equipment supply and services and Others

# Notes to the Financial Statements

30 June 2005

## 40. Segment information (cont'd)

2005	Electrical engineering \$'000	Building and mechanical engineering \$'000	Architecture and design \$'000	Property development \$'000	Oilfield equipment supply and services \$'000	Others \$'000	Eliminations \$'000	Group \$'000
External turnover	6,753	21,428	10,644	1,765	94,962	54	–	135,606
Inter-segment turnover	565	5,756	–	–	–	–	(6,321)	–
(Loss) profit from operations	(20)	(1,152)	(1,557)	(309)	6,264	(1,284)	–	1,942
Financial expenses – net								(352)
Share of results of associated companies								81
Unallocated corporate expenses								(8,279)
Tax								(597)
Minority interests								(1,601)
Loss attributable to shareholders								(8,806)
Assets	3,858	12,243	10,494	63	51,643	1,741		80,042
Liabilities	(703)	(2,230)	(8,732)	(19)	(21,396)	(3,396)		(36,476)
Unallocated liabilities								(2,127)
								(38,603)
Capital expenditure	78	247	1	–	3,350	–		3,676
Depreciation and amortisation	42	133	36	–	1,159	47		1,417
Other non-cash items	1,462	4,640	519	22	1,246	607		8,496

# Notes to the Financial Statements

30 June 2005

## 40. Segment information (cont'd)

2004	Electrical engineering \$'000	Building and mechanical engineering \$'000	Information technology cabling \$'000	Net- working \$'000	Architecture and design \$'000	Property development \$'000	Oilfield equipment supply and services \$'000	Others \$'000	Eliminations \$'000	Group \$'000
External turnover	14,120	15,312	-	2,099	27,931	9,449	12,292	126	-	81,329
Inter-segment turnover	2,059	4,317	-	146	-	676	-	-	(7,198)	-
(Loss) profit from operations	(1,064)	(426)	(554)	(111)	1,790	94	511	(143)	-	97
Financial expenses - net										(568)
Share of results of associated companies										901
Tax										(1,425)
Minority interests										(720)
Loss attributable to shareholders										(1,715)
Assets	8,769	9,575	10,026	-	6,517	324	46,036	973	-	82,220
Segment liabilities	(4,232)	(4,589)	-	-	(3,012)	(146)	(18,551)	(436)	-	(30,966)
Unallocated liabilities										(2,602)
										(33,568)
Capital expenditure	181	196	-	22	3	-	366	9	-	777
Depreciation and amortisation	94	102	554	31	58	-	376	68	-	1,283
Other non-cash items	1,444	1,565	(2,562)	68	506	(244)	97	2	-	876



# Notes to the Financial Statements

30 June 2005

## 40. Segment information (cont'd)

### (b) *Geographical segments*

Turnover is based on the location of customers regardless of where the goods are produced. Assets and additions to property, plant and equipment are based on the location of those assets.

	Turnover		Assets		Capital expenditure	
	2005	2004	2005	2004	2005	2004
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	47,982	43,259	54,595	66,745	1,904	680
Australia	34,165	5,150	12,309	6,064	1,528	43
China	14,025	28,315	10,515	7,490	1	11
Others	39,434	4,605	2,623	1,921	243	43
	<u>135,606</u>	<u>81,329</u>	<u>80,042</u>	<u>82,220</u>	<u>3,676</u>	<u>777</u>

## 41. Financial instruments

### *Financial risk management and policies*

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

#### *Interest rate risk*

The Group has cash balances placed with reputable banks and financial institutions. Such balances are placed on varying maturities and generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group obtains additional financing through bank borrowings and leasing arrangements. Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings and leasing obligations.

#### *Liquidity risk*

In the management of liquidity risks, the Group monitors and maintains a level of cash and bank balance deemed sufficient to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

#### *Credit risk*

The carrying amount of cash and cash equivalents, trade debtors and other debtors represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk.

# Notes to the Financial Statements

30 June 2005

## 41. Financial instruments (cont'd)

### *Foreign currency risk*

The foreign currency risk of the Group arises mainly from subsidiaries operating in foreign countries, which generate revenue and incur costs denominated in foreign currencies. In addition to transactional exposures, the Group is also exposed to foreign exchange movement on its net investment in the foreign subsidiaries. It is not the Group's policy to enter into derivative forward foreign exchange contracts for hedging and speculative purposes.

As at balance sheet date, the management did not consider the foreign currency exposure significant. Therefore, the Group did not enter into any foreign exchange contracts.

### *Fair value of financial instruments*

Fair value is defined as the amount at which the financial instruments could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from discounted cash flow models and option pricing models as appropriate.

The following methods and assumptions are used to estimate the fair values of each class of financial instruments.

### *Cash and cash equivalents, asset held for sale, trade and other current receivables and trade and other current payables*

The carrying amounts approximate fair values due to the relatively short-term maturity of these financial instruments.

### *Lease obligations*

The fair values of lease obligations are determined by discounting the relevant cash flow using the current interest rates for similar instruments at balance sheet date. There are no material differences between the fair values and carrying values.

### *Long term borrowings*

The fair values of long-term loans are determined by discounting the relevant cash flows using current interest rates for similar instruments at balance sheet date. All the long-term loans approximate fair values as these financial instruments bear interest at variable rates.

# Notes to the Financial Statements

30 June 2005

## 42. Comparative figures

Certain items in the comparative figures have been reclassified to conform with current year's presentation. Accordingly, prior year comparatives have been restated as follows:

	30 June 2004 as restated \$	30 June 2004 as previously reported \$
<i>Balance sheet</i>		
Due from associated companies (trade)	2,134,296	2,676,217
Due from associated companies (non-trade)	541,921	–
Due from related parties (non-trade)	154,098	–
Due to related parties (trade)	(3,789,622)	–
Due to an affiliated company (non-trade)	–	(3,635,524)

## 43. Authorisation of financial statements

The financial statements for the year ended 30 June 2005 were authorised for issue in accordance with a resolution of the directors on 16 September 2005.

# Group Properties

As at 30 June 2005

## Fixed Assets

<u>Location</u>	<u>Description</u>	<u>Title</u>	<u>Land Area</u> sq m	<u>Usage</u>	<u>Net Book Value</u> S\$
<b>Australia</b>					
130 Mills Street Welshpool Western Australia	A single storey office & warehouse	Freehold	2,521.0	Office/ Warehouse	255,368
9 Barfield Crescent Elizabeth West, Adelaide South Australia	A single storey industrial building	Freehold	2,043.0	Office/ Warehouse	206,920
Unit 8, 47 Musgrove Road Coopers Plains Queensland 4108 Australia	Terrace unit with office and warehouse building	Freehold	190.0	Office/ Warehouse	275,320
<b>China</b>					
Unit No 101 Building No.B1 Jin Mao District Funan, Hainan	Apartments	Leasehold	132.7	Staff Apartment	18,270
Unit No 102 Building No.B1 Jin Mao District Funan, Hainan	Apartments	Leasehold	132.7	Staff Apartment	18,270
<b>Myanmar</b>					
Myanmar Kachin special economic zone	Three-storey detached building and four shophouses at each corner of the building	Leasehold	1,225.0	Office	-
<b>Singapore</b>					
No 422 Tagore Industrial Avenue Singapore 787806	A single-storey detached factory building with mezzanine level	Freehold	2,100.6	Office/ Warehouse	3,500,000 (At valuation)
No 22 Tagore Lane Singapore 787480	A single-storey intermediate terrace factory building with mezzanine level	Freehold	499.2	Office/ Warehouse	1,380,000 (At valuation)
Loyang Offshore Supply Base PO Box 5070, Loyang Crescent Singapore 508988	Two-storey office build- ing/warehouse	Leasehold	7,320.0	Office/ Warehouse	35,596
<b>United States of America</b>					
5234 Brittmoore-North Road Harris County Texas 77041 (KM 449C) USA	Office / Warehouse	Freehold	6,493.6	Office/ Warehouse	505,467
					6,195,211

# Shareholders' Information

As at 19 September 2005

Authorised share capital	:	\$100,000,000
Issued and fully paid-up capital	:	\$57,474,210
Class of shares	:	Ordinary share of \$0.05 each
Voting rights	:	One vote per share

## STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 - 999	8	0.17	3,231	0.00
1,000 - 10,000	2,085	44.32	11,949,850	1.04
10,001 - 1,000,000	2,549	54.19	183,236,670	15.94
1,000,001 and above	62	1.32	954,294,449	83.02
	<u>4,704</u>	<u>100.00</u>	<u>1,149,484,200</u>	<u>100.00</u>

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
IPCO International Limited	–	–	170,903,000 <sup>(1)</sup>	14.87

Note:

<sup>(1)</sup> 50,903,000 held in the name of Friendship Bridge Holding Company Private Limited, a wholly-owned subsidiary of IPCO International Limited

120,000,000 held in the name of UOB Kay Hian Pte Ltd for Friendship Bridge Holding Company Private Limited

170,903,000

# Shareholders' Information

As at 19 September 2005

## SHAREHOLDERS' INFORMATION (CONT'D)

### TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	UOB Kay Hian Pte Ltd	133,624,000	11.62
2.	Raffles Nominees Pte Ltd	70,440,000	6.13
3.	United Overseas Bank Nominees Pte Ltd	68,517,600	5.96
4.	Kim Eng Securities Pte. Ltd.	64,185,000	5.58
5.	G1 Investments Pte Ltd	57,400,000	4.99
6.	Chua Koh Ming	51,643,200	4.49
7.	Friendship Bridge Holding Company Pte Ltd	50,903,000	4.43
8.	Yeo Jiew Yew	49,640,000	4.32
9.	Lim & Tan Securities Pte Ltd	47,544,000	4.14
10.	Ang Ee Tiong Kenneth	28,306,400	2.46
11.	Mayban Nominees (S) Pte Ltd	25,877,600	2.25
12.	Citibank Nominees Singapore Pte Ltd	23,500,000	2.04
13.	DBS Vickers Securities (S) Pte Ltd	22,082,000	1.92
14.	OCBC Securities Private Ltd	21,524,000	1.87
15.	Nueviz Investment Private Limited	15,900,000	1.38
16.	Phillip Securities Pte Ltd	14,496,701	1.26
17.	Citibank Consumer Nominees Pte Ltd	14,033,200	1.22
18.	Ong King Kok	14,000,000	1.22
19.	Tan Boon Kiat	13,058,000	1.14
20.	Chan Thye Yuan	12,634,400	1.10
	Total	799,309,101	69.52

### Public Float

Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited requires that at least 10% of the equity securities (excluding preference shares and convertible equity securities) of a listed company in a class that is listed is at all times held by the public. The Company confirmed that it has complied with this requirement.

# Warrantholders' Information

As at 19 September 2005

Warrants 2006 issued	:	183,246,000
Warrants 2006 exercised	:	<u>(31,000)</u>

Outstanding issued Warrants 2006	:	183,215,000
Adjustments pursuant to Deed Poll dated 9 March 2001	:	<u>10,024,985</u>
		<u>193,239,985</u>

Issue price	:	\$0.022
Exercise price	:	\$0.11
Subscription rights	:	One ordinary share per Warrant 2006

## STATISTICS OF WARRANTHOLDINGS

Size of holdings	Number of Warrantholders	%	Number of Warrants	%
1 - 999	210	11.32	106,487	0.05
1,000 - 10,000	513	27.66	1,776,517	0.92
10,001 - 1,000,000	1,101	59.35	100,523,356	52.02
1,000,001 and above	31	1.67	90,833,625	47.01
	<u>1,855</u>	<u>100.00</u>	<u>193,239,985</u>	<u>100.00</u>

## SUBSTANTIAL WARRANTHOLDERS

As at 19 September 2005, there is no substantial warrant holders 2006 as recorded in the Register of Substantial Warrantholders 2006.

## TWENTY LARGEST WARRANTHOLDERS

No.	Name of Warrantholders	Number of Warrants	%
1.	United Overseas Bank Nominees Pte Ltd	17,414,505	9.01
2.	Ang Ee Tiong Kenneth	6,373,682	3.30
3.	Chan Thye Yuan	6,357,861	3.29
4.	Kim Eng Securities Pte. Ltd.	5,771,942	2.99
5.	Phillip Securities Pte Ltd	5,022,138	2.60
6.	CIMB-GK Securities Pte. Ltd.	4,342,285	2.25
7.	Southern Nominees (S) Sdn Bhd	4,135,466	2.14
8.	Tan Seng Hock	3,088,486	1.60
9.	OCBC Securities Private Ltd	2,963,444	1.53
10.	Lee Song	2,950,350	1.53
11.	Citibank Consumer Nominees Pte Ltd	2,725,399	1.41
12.	DBS Vickers Securities (S) Pte Ltd	2,321,475	1.20
13.	Khalid B Omar Abdat	2,180,000	1.13
14.	UOB Kay Hian Pte Ltd	2,129,997	1.10
15.	Ang Chin Chuan Edwin	2,109,443	1.09
16.	Loh Poh Lim	2,018,000	1.04
17.	Wong Jong Sin	2,000,000	1.03
18.	Hong Leong Finance Nominees Pte Ltd	1,860,304	0.96
19.	Raffles Nominees Pte Ltd	1,502,978	0.78
20.	Chew Hock Leong	1,400,000	0.72
	Total	78,667,755	40.70

# Nomination Letter

**LIM POH KHIM**  
23 Tai Yuan Heights  
Singapore 555194

30 September 2005

The Company Secretary  
MAGNUS ENERGY GROUP LTD.  
22 Tagore Lane  
Singapore 787480

Dear Sirs

## **NOMINATION OF AUDITORS**

Pursuant to Section 205 of the Companies Act Cap. 50, I, Lim Poh Khim of 23 Tai Yuan Heights Singapore 555194, being a shareholder of the Company, hereby nominate Moore Stephens situate at 11 Collyer Quay #10-02 The Arcade Singapore 049317, for appointment as auditors of the Company in place of the retiring auditors, Messrs Emst & Young, at the forthcoming Annual General Meeting.

Yours faithfully



Lim Poh Khim



# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Magnus Energy Group Ltd. (the "Company") will be held at 214 Dunearn Road, Copthorne Orchid Hotel, Mokara Room Level 1, Singapore 299526 on Monday, 31 October 2005 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 30 June 2005 together with the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring pursuant to Articles 96(2) and 78 of the Company's Articles of Association:

Mr Chua Koh Ming	[Retiring under Article 96(2)]	<b>(Resolution 2)</b>
Mr Ravindran Govindan	[Retiring under Article 96(2)]	<b>(Resolution 3)</b>
Mr Meno Junichiro	[Retiring under Article 96(2)]	<b>(Resolution 4)</b>
Mr Koh Teng Kiat	[Retiring under Article 78]	<b>(Resolution 5)</b>

*Mr Ravindran Govindan will, upon re-election as Director of the Company, remain a member of the Nominating Committee.*

*Mr Meno Junichiro will, upon re-election as Director of the Company, remain a member of the Audit Committee.*
3. To approve the payment of Directors' fees of S\$70,000 for the year ended 30 June 2005 (previous year: S\$68,450). **(Resolution 6)**
4. To appoint Messrs Moore Stephens as the Company's Auditors in place of the retiring Auditors, Messrs Ernst & Young and to authorise the Directors to fix their remuneration [See Explanatory Note (i)]. **(Resolution 7)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

### 6. Authority to allot and issue shares up to 50 per centum (50%) of issued share capital

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, the Directors be empowered to allot and issue shares and convertible securities in the capital of the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued share capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued share capital of the Company and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities [See Explanatory Note (ii)]. **(Resolution 8)**

By Order of the Board

Wong Siew Chuan  
Secretary

Singapore, 14 October 2005

# Notice of Annual General Meeting

## Explanatory Notes:

- (i) The Company has received notice from a shareholder, Lim Poh Khim nominating Messrs Moore Stephens as the Company's Auditors in place of the retiring Auditors, Messrs Ernst & Young. Messrs Moore Stephens have expressed their willingness to accept the appointment. The proposal for the appointment will be put to the shareholders at this Annual General Meeting.
- (ii) The Ordinary Resolution 8 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in general meeting, whichever is the earlier, to allot and issue shares and convertible securities in the Company. The number of shares and convertible securities that the Directors may allot and issue under this resolution would not exceed fifty per centum (50%) of the issued capital of the Company at the time of the passing of this resolution. For issue of shares and convertible securities other than on a pro rata basis to all shareholders, the aggregate number of shares and convertible securities to be issued shall not exceed twenty per centum (20%) of the issued capital of the Company.

For the purpose of this resolution, the percentage of issued capital is based on the Company's issued capital at the time this proposed Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this proposed Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

## Notes:

1. A Member entitled to attend and vote at the Annual General (the "Meeting") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 22 Tagore Lane Singapore 787480 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

# MAGNUS ENERGY GROUP LTD.

(Company Registration No: 198301375M)

(Incorporated In The Republic of Singapore)

## PROXY FORM

(Please see notes overleaf before completing this Form)

### IMPORTANT:

1. For investors who have used their CPF monies to buy Magnus Energy Group Ltd.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to vote/attend should contact their CPF Approved Nominees.

I/We, ..... (Name)

of ..... (Address)

being a member/members of MAGNUS ENERGY GROUP LTD. (the "Company"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf and, necessary, demand for a poll at the Annual General Meeting of the Company to be held at 214 Dunearn Road, Copthorne Orchid Hotel, Makara Room Level 1, Singapore 299526 on 31 October 2005 at 10.00 a.m. and at any adjournment thereof. The proxy is to vote on the business before the meeting as indicated below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at his/her discretion, as he/she will on any other matter arising at the Meeting:

	Resolutions relating to:	For	Against
1	The adoption of Directors' Report and Audited Accounts for the year ended 30 June 2005 together with the Auditors' Report thereon		
2	Re-election of Mr Chua Koh Ming as a Director of the Company		
3	Re-election of Mr Ravindran Govindan as a Director of the Company		
4	Re-election of Mr Meno Junichiro as a Director of the Company		
5	Re-election of Mr Koh Teng Kiat as a Director of the Company		
6	Approval of Directors' fees amounting to S\$70,000		
7	Appointment of Messrs Moore Stephens as Auditors of the Company in place of Messrs Ernst & Young, the retiring Auditors		
8	Authority to allot and issue shares up to 50% of issued share capital		

(Please indicate with a cross [X] in the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this ..... day of ..... 2005

.....  
Signature of Shareholder(s)

or, Common Seal of Corporate Shareholder

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 22 Tagore Lane Singapore 787480 not less than forty-eight (48) hours before the time appointed for the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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