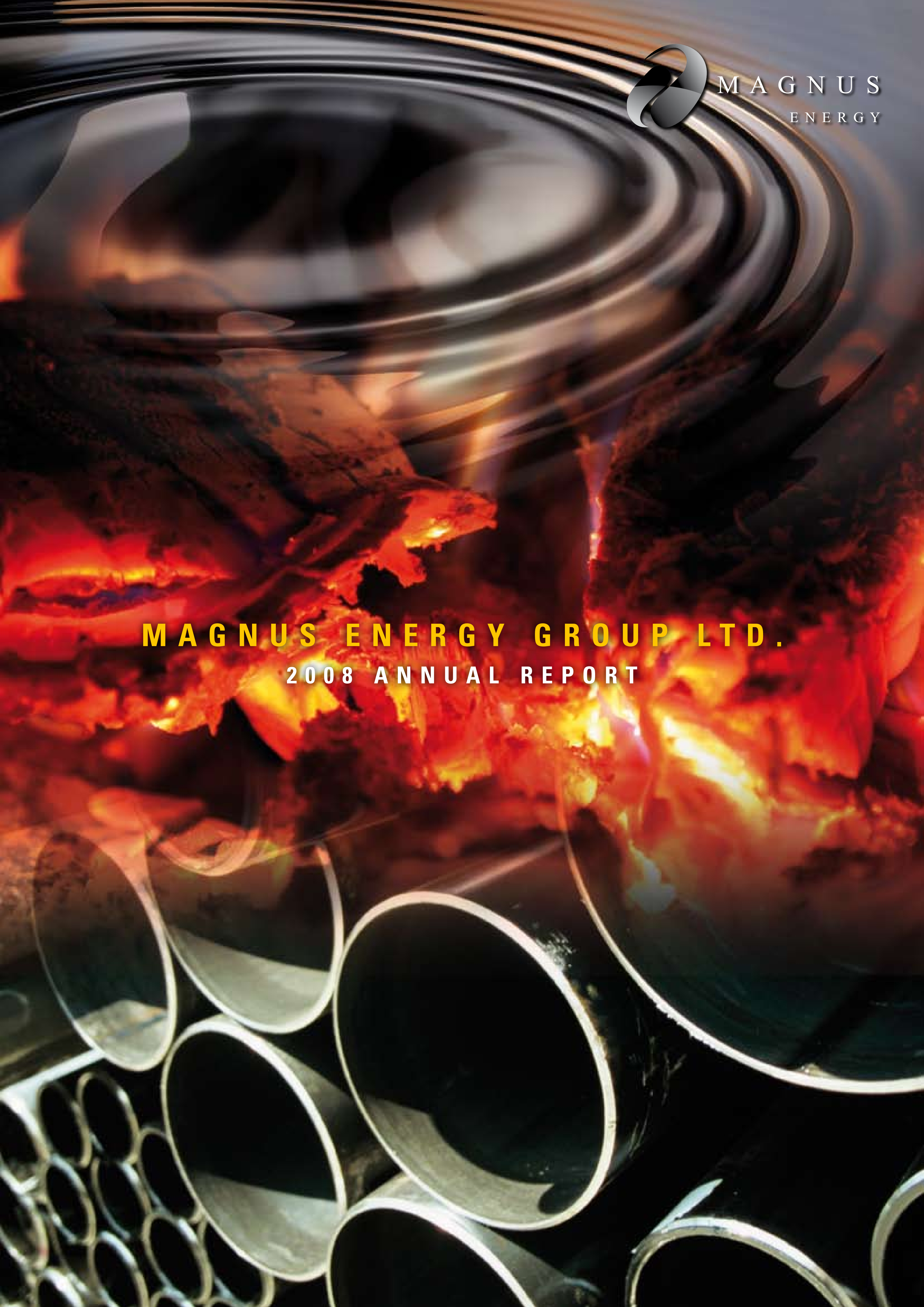
MAGNUS
ENERGY



MAGNUS ENERGY GROUP LTD.

2008 ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

Incorporated in 1983, Magnus Energy Group Ltd. ("Magnus" or the "Company") began its humble business 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. Following the stiff operating conditions & cyclical nature of the construction business, a strategic decision was made in 2003 to shift the business focus.

Since then, Magnus has taken significant strides in its tranformation from an M&E Company to an energy-related company with businesses involving oil and gas equipment distribution in Asia Pacific, gas exploration in Australia, crude oil production in China and coal mining activities in Indonesia.

Magnus is positioning itself to be a leading regional producer of oil, gas and coal in addition to oil and gas equipment distribution in the Asia Pacific region. This will be an ongoing process for the Company as it looks to diversify its energy business activities and broadening its' earnings base, while concurrently re-engineering itself to explore new opportunities globally.

The acquisitions of Mid-Continent Equipment Group Pte Ltd and Songyuan Yongda Oilfields Exploration and Technology Co., Ltd in 2004 and 2006 respectively, have enabled Magnus to establish business opportunities in the oil and gas industry. While the Coal business was spun-off under APAC Coal Limited, a coal exploration company and a subsidiary of Magnus, was officially listed on the Australian Stock Exchange in July 2008.

We aim to expand the capabilities already in place and to remain primarily involved with energy-related projects and services in the near future.

CHAIRMAN'S STATEMENT

Profit after tax increased to $5.9 million in FY2008 from $2.7 million in FY2007. This improvement was attributed to the higher gross profit margin, greater gains from the disposal of available-for-sale financial assets of $1.1 million and higher net exchange gain of $1.4 million arising from the revaluation of fixed deposits and trade debtors and settled liabilities denominated mainly in Australian dollars and US$.

DEAR SHAREHOLDERS

On behalf of the Board, I take great pleasure in reporting that Magnus Energy Group Ltd. ("Magnus" or the "Group") has achieved good results for the financial year ended 30 June 2008 ("FY2008"). Our financial results reflect the continuing pursuit of our focused business strategy to be a leading regional player in the oil, gas and coal industry.

Group revenue declined by 8.2% to $117.9 million in FY2008 from $128.4 million in FY2007. This arose from the lower sales from the oilfield equipment supply segment, which was contributed by our 54.35%-owned subsidiary Mid-Continent Equipment Group Pte Ltd. ("Mid-Con"). Revenue in Mid-Con dropped 9.4% to $106.5 million in FY2008 from $117.5 million in FY2007. This drop was mainly due to the global weakening of the US$ against Singapore dollars during FY2008. Despite the drop, this business segment remains our key revenue contributor, accounting for 90.3% of total sales in FY2008 and will continue to be a significant growth driver for the Group as oil supply and demand fundamentals for oilfield equipment and services remained buoyant.

Gross profit in FY2008 climbed 8.5% to $21.7 million from $20.0 million in FY2007, despite a slight decline in Group revenue for FY2008. Gross profit margin increased from 15.6% to 18.4% due to lower cost of sales.

Profit after tax increased to $5.9 million in FY2008 from $2.7 million in FY2007. This improvement was attributed to the higher gross profit margin, greater gains from the disposal of available-for-sale financial assets of $1.1 million and higher net exchange gain of $1.4 million arising from the revaluation of fixed deposits and trade debtors and settled liabilities denominated mainly in Australian dollars and US$. This has partially offset the increase in other operating expenses due to the impairment of intangible assets made for the crude oil production segment and loss on deemed disposal of a subsidiary.

The Group registered a higher earnings per share of 0.008 cents in FY2008 as compared to 0.002 cents in FY2007. Net asset value also rose to 4.31 cents in FY2008 from 4.07 cents in FY2007.

Given this good financial performance, we believe we are on the right track to continue the Group's future growth and success.

MAXIMIZING NEW OPPORTUNITIES

A cornerstone of Magnus' business philosophy is to adopt a flexible and open-minded approach towards new businesses and opportunities.

In line with this thinking, Magnus is embarking on another energy resource business, which is the coal mine development via our recently Australian listed subsidiary, APAC Coal Limited.

We are committed to maintaining our market share and upholding high quality standards for our customers. We will also continue to look for ways to improve our cost efficiency, marketing and distribution channels in order to maximize sales and enhance profit.

OUTLOOK FOR OIL AND GAS INDUSTRY

Magnus has subsequently pursued other energy related areas such as extraction of crude oil and coal in both China and Indonesia respectively since embarking on the energy related sector via the acquisition of a controlling stake in Mid-Con.

Due to the current high oil prices, both our oilfield equipment supply and crude oil production businesses are still well positioned to tap this exciting market growth potential in the coming years. However, we are unable to predict how long this trend will continue.

At the same time, our crude oil production segment is affected by the oil taxes imposed by the authorities. The taxes are imposed once the crude oil prices exceed USD40 per barrel and the taxes increase in line with the higher crude oil prices. As a result, the gross profit margin of this segment will be affected to some extent. Our consolation is that we do not expect the results of this segment to have a significant impact on the Group's results for the year ending 30 June 2009 ("FY2009").

Oil will continue to play a critical and dominant role in the energy sector. Looking ahead, we expect our oilfield equipment supply and crude oil production businesses to continue to perform favorably in the coming financial year. As for our coal, we expect operations to begin soon and the results to be reflected in the coming years.

A NOTE OF APPRECIATION

I wish to take this opportunity to express my appreciation to fellow board members, shareholders, management team members, customers, business partners and employees for their unwavering support and commitment to the Group. I look forward to your continued support, and I sincerely hope that you will be part of our continuing success story in the years to come.

We wish to make this special acknowledgement and record our appreciation to Mr Ravindran Govindan, former Chairman of the Group, for his astute leadership during Magnus's transition to an energy-related company. We also wish to thank Mr Chan Sing En, our former Managing Director for the hard work in managing this change. We are grateful to Mr Umar Abdul Hamid, Mr Arwan Ahimsa and Mr Lew Syn Pau, our former directors who have stepped aside to allow for leadership renewal. These gentlemen have put in great effort to take Magnus to the chosen path it is on today and we are grateful to them for their valuable commitment and contributions to the company. We wish them all the best in their future endeavors.

Idris Bin Abdullah @ Das Murthy
Chairman

* This page is to supercede page 4 of this annual report.

FINANCIAL HIGHLIGHTS

	2008	2007	2006
Turnover ($'000)	117,851	128,425	122,346
Net Asset Value per Share (Cents)	4.31	4.07	3.46
Profit before Taxation ($'000)	7,194	4,458	1,976
Earnings (Loss) per Share (Cents)	0.008	0.002	(0.116)
TURNOVER BY BUSINESS ACTIVITIES			
Electrical Engineering Services	-	1,281	3,043
Crude Oil Production	11,347	9,665	-
Oilfield Equipment Supply and Services	106,504	117,479	119,303

CORPORATE STRUCTURE

- MAGNUS ENERGY GROUP LTD.
  - 100% — Antig Investments Pte. Ltd.
  - 100% — Bridging Resources Ltd
    - 75% — 松原市永达油田开发高新技术有限责任公司 Songyuan Yongda Oilfields Exploration and Technology Co., Ltd.
  - 100% — Green Heritage Overseas Ltd
  - 100% — MEG Management Sdn. Bhd.
  - 51% — 进发展有限公司 Strike Development Pte Ltd
  - 54.35% — Mid-Continent Equipment Group Pte Ltd.
    - 1.08% — APAC Coal Limited
  - 55.79% — APAC Coal Limited
    - 100% — PT Deefu Chemical Indonesia
      - 100% — PT Batubara Selaras Sapta

BOARD OF DIRECTORS

IDRIS BIN ABDULLAH @ DAS MURTHY

Mr Idris Abdullah, aged 51, joined the Board as an Independent Non-Executive director in May 2008 and was appointed non-executive Chairman of Magnus on 21 August 2008. He was also appointed Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee on 4 July 2008.

He is a Senior Partner of Idris and Company Advocates handling general legal practice comprising Banking practice (both drafting and litigation), land matters, general corporate work including due diligence, corporate restructuring and corporate insolvency litigation, Construction and Building work, Exchange Control work, Criminal litigation, Intellectual Property Litigation and general Civil litigation since 1989. He is also the Chairman and shareholder of Industrial Power Technology Pte Ltd, and Advisor to a number of Sarawak companies. He was a shareholder and Director of several companies in Malaysia.

Mr Idris is appointed member of the Companies Commission of Malaysia ("SSM") as well as Member of the Audit Committee SSM and member of the Advisory Panel for the SSM training Academy (Comtrac). He is also the member of the Malaysian Communications and Multimedia Commission.

Mr Idris Abdullah graduated with First Class Bachelor of Laws (Honours) from Faculty of Law University Malaya in 1981. He was admitted to the Roll of Advocates of the High Court of Malaysia in Sabah and Sarawak in year 1982. He was also admitted to the Roll of Advocates of Malaysia in Malaya in year 2007.

Date of first appointment : 23 May 2008
Date of last re-election as a director : NA

MD WIRA DANI BIN ABDUL DAIM

Mr Wira Dani Daim, aged 30, joined the Board as a non-executive director in November 2006 and was appointed the Deputy Chairman of the Company on 15 March 2007. He is also a substantial shareholder of Magnus.

He has sat on board as a Non-Executive Director of Hong Kong listed Byford International Ltd since May 2004 but has resigned due to other more passing commitments. He also manages a group of property investment companies and is actively involved in the family's M&A business activities including power, coal and oil sectors in Malaysia, Indonesia and Africa, as well as the flagship banking assets and the strategic alliances associated with it. Currently, he is the Chairman of Astute Capital Limited and Managing Director in various companies in Malaysia.

Mr Wira graduated with honours from Cambridge University, United Kingdom earning his Bachelor of Arts in year 2001. He obtained his Masters of Arts in year 2005, Cambridge University, United Kingdom.

Date of first appointment : 09 November 2006
Date of last re-election as a director : 31 October 2007

LIM KUAN YEW

Mr Lim Kuan Yew, aged 49, joined the Board as a Non-Executive Director in March 2008 and was appointed as Managing Director of Magnus on 15 May 2008. He oversees the Group's overall management and operations and is responsible for strategic planning, future direction and business development.

Mr Lim has extensive experience in areas of auditing, marketing of financial services and stockbroking and has previously held senior positions in general management and strategic planning in both private and public listed companies in Malaysia. He was also the founding member of a Company which provides management and corporate services to clients in the fields of corporate restructuring, mergers and acquisitions, operations review and strategic planning. He was a former director of Kuantan Flour Mills Berhad and has held executive directorships in Ayamas Food Corporation Berhad, KFC Holdings (M) Berhad and QSR Brands Bhd. He currently sits on the Board of several companies in Malaysia.

Date of first appointment : 17 March 2008
Date of last re-election as a director : NA

KOH TENG KIAT

Mr Koh Teng Kiat, aged 52, is an Executive Director and Chief Operating Officer of Magnus. Currently, he oversees the Group's operational aspects of crude oil production in China and gas exploration venture in Australia and coal mining activities listed under APAC Coal Limited in Australia, addresses compliance issues, and supervises funding arrangements.

Mr Koh is a skilled financial expert with more than 25 years of business exposure in the Asia Pacific region. He has extensive experience in company operational and financial system restructuring having worked in various types of organisations ranging from manufacturing, construction industry to petroleum sector. He has also worked in public companies and in multi-national businesses. Presently, he sits on the board of all subsidiaries of Magnus in Singapore and Overseas.

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.

Date of first appointment : 17 February 2005
Date of last re-election as a director : 31 October 2006

GOH BOON KOK

Mr Goh Boon Kok, aged 68, is an Independent Director of Magnus since June 2004. He has been a member of the Audit Committee, Nominating Committee and Remuneration Committee since his appointment as a Director and was elected Chairman of the Audit Committee on 4 July 2008.

He has over 10 years of working experience with both the 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 three public listed companies in Singapore.

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

Date of first appointment : 01 June 2004
Date of last re-election as a director : 31 October 2006

CHIN KOK SANG

Mr Chin, aged 50, joined the Board as an Independent Non-Executive Director in July 2008. He was appointed Chairman of the Nominating Committee and member of the Audit Committee and Remuneration Committee on 4 July 2008.

Currently, he is the founding Chief Executive Officer of TKC & Associates Sdn Bhd, a consulting firm in Malaysia which provides corporate advisory services with particular focus in the areas of Corporate & Debt Restructuring. He has undertaken consulting assignments in various sectors and industries ranging from banking, toll concession, mobile telecommunication services, property development and construction, fast moving consumer goods. Prior to that he was a Corporate Banker with a major European based international bank at their offices in Australia, Singapore and Malaysia.

Mr Chin graduated with a Bachelor of Commerce from University of Melbourne. He is a member of the Institute of Chartered Accountants in Australia.

Date of first appointment : 01 July 2008
Date of last re-election as a director : NA

HISHAM OTHMAN

Mr Hisham, aged 46, joined the Board as an Independent Non-Executive director in July 2008.

Mr Hisham started his career as planning engineer and geotechnical engineer in the Public Works Department of Malaysia from 1985 to 1990. He left the government to join PLUS Bhd to plan, manage, complete and operate the North-South Expressway, the single biggest privatized project then and has held various positions from 1990 to 1996, leaving as the Region Manager to join Renong group management office and was made the COO of Renong Overseas Corporation where he spearheaded the Group's ventures overseas. Subsequently, his varied career saw him working as the COO in several companies overseeing various sectors like construction, concessions and development in Malaysia, Middle-East and Africa. His experience in management ranges from strategy and finance, to operations and marketing.

Mr Hisham graduated with a Masters in Business Administration in 1994, and a Bachelor in Civil Engineering in 1985.

Date of first appointment : 24 July 2008
Date of last re-election as a director : NA

KEY MANAGEMENT

WONG SIEW CHUAN

Wong Siew Chuan, aged 42, joined the Company in June 1999 as a Finance Manager and was re-designated as Chief Financial Officer in May 2006. She is also the Company Secretary for Magnus and 2 of its subsidiaries.

She has over 19 years of experience in financial reporting and corporate compliance work with 9 years of experience in auditing a portfolio of trading, service, manufacturing companies and financial institutions. Her current duties include financial reporting, corporate compliance work and corporate secretarial duties for Magnus and 2 of its subsidiaries as well as liaising with the Singapore Exchange Securities Trading Limited as Magnus' authorized representative.

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.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Idris Bin Abdullah @ Das Murthy	(Chairman and Independent Director)
Mr Md Wira Dani Bin Abdul Daim	(Deputy Chairman)
Mr Lim Kuan Yew	(Managing Director)
Mr Koh Teng Kiat	(Executive Director/Chief Operating Officer)
Mr Goh Boon Kok	(Independent Director)
Mr Chin Kok Sang	(Independent Director)
Mr Hisham Othman	(Independent Director)

AUDIT COMMITTEE

Mr Goh Boon Kok	(Chairman)
Mr Idris Bin Abdullah @ Das Murthy	
Mr Chin Kok Sang	

NOMINATING COMMITTEE

Mr Chin Kok Sang	(Chairman)
Mr Goh Boon Kok	
Mr Idris Bin Abdullah @ Das Murthy	

REMUNERATION COMMITTEE

Mr Idris Bin Abdullah @ Das Murthy	(Chairman)
Mr Goh Boon Kok	
Mr Chin Kok Sang	

AUDITORS

Moore Stephens LLP
Certified Public Accountants
10 Anson Road
#29-15 International Plaza
Singapore 079903
Partner-in-charge
Mr Christopher Bruce Johnson

Date of Appointment : 31 October 2005

COMPANY SECRETARY

Wong Siew Chuan, CPA

REGISTERED OFFICE

10 Anson Road
#33-13 International Plaza
Singapore 079903
Tel: 6325 1850
Fax: 6325 1851
Electronic mail address:
info@magnusenergy.com.sg
Website:
www.magnusenergy.com.sg

REGISTRAR & SHARE TRANSFER OFFICE

Boardroom Corporate & Advisory
Services Pte. Ltd.
(Formerly known as Lim Associates
(Pte) Ltd)
3 Church Street #08-01
Samsung Hub
Singapore 049483

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

1. THE BOARD'S CONDUCT OF ITS AFFAIRS (cont'd)

Board Meetings Held

The Board meets at least two times a year. Fixed meetings are scheduled at the start of the financial year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

The Articles of Association of the Company allow directors to participate in a Board meeting by telephone conference or video-conference. The number of meetings held and attended by each Director during the financial year ended 30 June 2008 is tabulated below:

Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of Meetings							
Name	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Idris Bin Abdullah @ Das Murthy (1)	3	–	–	–	–	–	–	–
Md Wira Dani Bin Abdul Daim	3	1	4	1 *	–	–	–	–
Lim Kuan Yew (2)	3	1	4	1 *	–	–	–	–
Koh Teng Kiat	3	3	4	3 *	–	–	–	–
Goh Boon Kok	3	3	4	4	1	1	2	2
Richard Chan Sing En (3)	3	3	4	3 *	1	1 *	2	2 *
Ravindran Govindan (4)	3	2	4	2	1	–	2	1
Lew Syn Pau (5)	3	3	4	4	1	1	2	2
Arwan Ahimsa (6)	3	2	4	3	1	1 *	2	1 *
Umar Abdul Hamid (7)	3	1	4	1 *	1	1 *	2	1 *

Notes

* Attended the various Committees meeting by invitation

(1) Appointed as an independent director on 23 May 2008.

(2) Appointed as a director and managing director on 17 March 2008 and 15 May 2008 respectively.

(3) Resigned as a director cum managing director on 1 June 2008.

(4) Resigned as a non-executive director and chairman on 15 May 2008, ceased to be a member of AC, NC and RC on 15 May 2008.

(5) Resigned as an independent director on 15 May 2008, ceased to be Chairman of AC, NC and RC on 15 May 2008.

(6) Resigned as an independent director on 3 March 2008, ceased to be a member of the AC on 3 March 2008.

(7) Resigned as a director on 1 February 2008.

Matters Requiring the Board's Approval

The Board has adopted a set of guidelines on matters that require its approval. Matters which are specifically reserved for the Board's decision include:

- statutory requirements such as approval of annual report and financial statements;
- other requirements such as interim and annual results announcements;
- financial objectives of the Group;
- corporate strategic direction, strategies and action plans;
- the setting of policies and key business initiatives; and
- authorisation of acquisition/disposal and other material transactions.

1. THE BOARD'S CONDUCT OF ITS AFFAIRS (cont'd)

Training of Directors

The Company does not have a formal training programme for new directors. However, to assist the Board in discharging its duties, a newly appointed director will be orientated on the business operations and regulatory issues of the Group. Directors are also informed via electronic mail of regulatory changes affecting the Group. In addition, the Board encourages its members to participate in seminars and receive training to improve themselves in the discharge of their duties as directors. The Company Secretary will bring to directors' attention, information on seminars that may be of relevance to them.

2. BOARD COMPOSITION AND GUIDANCE

Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board currently comprises 7 members, 2 executive directors, and 5 non-executive directors, of whom 4 are independent directors. As a group, the directors bring with them a wide range of business and financial experience, skills and expertise to meet the Company's targets. The Board has reviewed its composition and is satisfied that the existing composition is appropriate taking into account the scope and nature of operations of the Company. As independent and non-executive directors make up almost two-third of the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of independent, non-executive directors of the calibre necessary to carry sufficient weight in the Board's decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent non-executive directors is particularly important in ensuring that the strategies proposed by the Management are constructively challenged, fully discussed and examined, and taken into account the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive directors of the Company help to develop proposals on strategy. The non-executive directors also review the performance of the Management in meeting agreed goals and objectives.

3. CHAIRMAN AND MANAGING DIRECTOR

Principle 3: *There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

There is a clear division of responsibilities between the Non-Executive Chairman, Mr Idris Bin Abdullah @ Das Murthy and the Managing Director, Mr Lim Kuan Yew. There is also no relationship between the Non-Executive Chairman and Managing Director. The Non-Executive Chairman is responsible for leading the Board and facilitating its effectiveness and the responsibilities for the day-to-day operations of the Company are assumed by the Managing Director.

The Non-Executive Chairman's responsibilities include, inter alia, the following:

- scheduling the meetings and setting the meeting agenda for the Board in consultation with the Managing Director;
- ensuring the smooth conduct of board meetings and monitoring the translation of the Board's decisions into executive action;
- reviewing the Board papers prepared by management to ensure that complete and timely information are provided to the Board;
- assisting in ensuring compliance with the Company's guidelines on corporate governance.

4. BOARD MEMBERSHIP AND BOARD PERFORMANCE

Principle 4: *There should be a formal and transparent process for the appointment of new directors to the Board.*

Principle 5: *There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

The Nominating Committee ("NC") comprises the following independent directors:

- Mr Chin Kok Sang (Chairman)
- Mr Goh Boon Kok
- Mr Idris Bin Abdullah @ Das Murthy

The Chairman of the NC is neither a substantial shareholder of the Company nor directly associated with a substantial shareholder of the Company.

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

- identify candidates and review all nominations on appointments and re-appointment of directors including making recommendations on the composition of the Board and the balance between executive and non-executive directors to the Board;
- review the Board structure, size and composition annually;
- determine the independence of directors annually, guided by the independent guidelines contained in the Code;
- review and decide if a director is able to and has been adequately carrying out his duties as a director of the Company, when he has multiple representations.
- assess the effectiveness of the Board as a whole every year and the contribution of each individual director in terms of required mix of skills and experience and other qualities, including core competencies, to the Group.

The NC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the NC.

Pursuant to Article 78 of the Company's Articles of Association, newly appointed directors would be required to submit themselves for re-nomination and re-election at the forthcoming Annual General Meeting ("AGM"). Article 96(2) of the Company's Articles of Association requires that one-third of the Directors retire by rotation at every AGM. However, the Managing Director is not subject to retirement by rotation. In accordance with the Company's Articles of Association, Messrs Idris Bin Abdullah @ Das Murthy, Lim Kuan Yew, Chin Kok Sang and Hisham Othman will retire pursuant to Article 78 and Mr Koh Teng Kiat will retire pursuant to Article 96(2) at the forthcoming AGM.

Details of the Directors' academic and professional qualifications, interests in the Group, committees served, directorships are disclosed in the Annual Report to enable shareholders to make informed decisions.

The independent directors have declared their independence for the financial year ended 30 June 2008, in accordance with the independent guidelines contained in the Code.

During the financial year ended 30 June 2008, the NC is satisfied that sufficient time and attention are being given by the directors to the affairs of the Group, notwithstanding that some of the directors have multiple board representations, and there is presently no need to implement internal guidelines to address their competing time commitments. The NC also assesses and discusses the performance of the Board as a whole and ascertains key areas for improvement and requisite follow-up actions. Upon reviewing the assessment, the NC is of the opinion that the Board has been effective.

5. ACCESS TO INFORMATION

Principle 6: *In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis.*

The Board is usually provided with Board papers in advance before each Board Meeting, giving the background, explanatory information and justification for each decision and mandate sought by the Management, including, where applicable, pertinent financials, to enable them to be properly informed of matters to be discussed and/or approved.

All Directors have separate and independent access to the Group's management team at all times and can communicate directly with the management, the officers, the Company Secretary and external auditors on all matters as and when they deem necessary. They have full access to the Company's records and information and may obtain independent legal and other professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

The Company Secretary attends all Board Meetings and records all decisions and conclusions of the Board meetings in the Minutes' book. In addition, the Company Secretary assists the Chairman in ensuring that Board procedures are followed and reviewed so that the Board functions effectively, and the Company's Memorandum and Articles of Association and relevant rules and regulations, including requirements of the Singapore Companies Act and the SGX-ST, are complied with. The appointment and removal of the Company Secretary are decided by the Board as a whole.

6. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES LEVEL AND MIX OF REMUNERATION

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration*.

Principle 8: *The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

The Remuneration Committee ("RC") comprises the following Independent Directors:

- Mr Idris Bin Abdullah @ Das Murthy (Chairman)
- Mr Goh Boon Kok
- Mr Chin Kok Sang

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

- 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. The review covers all aspects of remuneration including but not limited to directors' fees, salaries, bonus, options and benefits in kind;
- determine the specific remuneration packages for executive directors and key executives based on performance, service seniority, experience and scope of responsibility. Such remuneration packages are periodically benchmarked to market/industry;
- recommend the fees payable to non-executive directors based on the level of responsibilities undertaken by them; and
- administer the Magnus Energy Employee Share Option Plan and the Magnus Energy Performance Share Plan.

6. PROCEDURES FOR DEVELOPING REMUNERATION POLICIES LEVEL AND MIX OF REMUNERATION (cont'd)

The RC's recommendations are made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board. However, members of the RC will ensure that they do not set their own remuneration. The RC may obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company:

During the financial year ended 30 June 2008, the RC reviewed the remuneration packages of executive directors and key executives and recommended some adjustments. Subject to approval by shareholders at the forthcoming AGM, the RC recommended that fees payable to non-executive directors for the financial year ended 30 June 2008 be fixed at S$182,323. The Board duly accepted the RC's recommendation and proposed the same for approval by the shareholders at the forthcoming AGM.

The RC meets at least once a year. Additional meetings are scheduled if considered necessary by the Chairman of the RC.

7. DISCLOSURE ON REMUNERATION

Principle 9: *Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

7. DISCLOSURE ON REMUNERATION (cont'd)

Summary compensation table for the financial year ended 30 June 2008:

Name	Salaries %	Bonus %	Consultancy fees %	Director fees %	Fair value of share options granted # %	Other benefits %	Total %
$250,000 to below $500,000							
Directors							
Chan Sing En (1)	61.2	35.0	–	–	–	3.8	100.0
Koh Teng Kiat	67.6	21.0	–	–	6.9	4.5	100.0
Below $250,000							
Directors							
Md Wira Dani Bin Abdul Daim	–	–	–	100.0	–	–	100.0
Lim Kuan Yew (2)	–	–	96.7	3.3	–	–	100.0
Goh Boon Kok	–	–	–	70.3	29.7	–	100.0
Idris Bin Abdullah @ Das Murthy (3)	–	–	–	100.0	–	–	100.0
Ravindran Govindan (4)	–	–	–	100.0	–	–	100.0
Umar Bin Abdul Hamid (5)	–	–	–	100.0	–	–	100.0
Lew Syn Pau (6)	–	–	–	100.0	–	–	100.0
Arwan Ahimsa (7)	–	–	–	100.0	–	–	100.0
Key Executives							
Wong Siew Chuan	67.8	16.2	–	–	6.2	9.8	100.0

\# Refers to the expense on share options granted to the directors and employees recognized in the financial statements

(1) Resigned on 1 June 2008
(2) Appointed on 17 March 2008
(3) Appointed on 23 May 2008
(4) Resigned on 15 May 2008
(5) Resigned on 1 February 2008
(6) Resigned on 15 May 2008
(7) Resigned on 3 March 2008

The RC and the Board are of the opinion that the remuneration of the directors and key executives for the financial year ended 30 June 2008 are adequate but not excessive in order to attract, retain and motivate them to run the Group successfully.

There are no employees who are immediate family members of the Chairman or a Director.

8. ACCOUNTABILITY

Principle 10: *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board provides shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects when it announces the quarterly, half year and full year financial results of the Group. Periodic announcements on business and other developments of the Group via SGX-ST's SGXNET or press releases are made to keep shareholders informed about the progress of the Group.

9. AUDIT COMMITTEE ("AC")

Principle 11: *The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

The AC comprises the following independent directors:-

- Mr Goh Boon Kok (Chairman)
- Mr Idris Bin Abdullah @ Das Murthy
- Mr Chin Kok Sang

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

The AC meets at least four times a year. Additional meetings are scheduled if considered necessary by the Chairman of the AC. During the financial year, the AC met the external auditors once without any executive of the Group being present.

The AC carried out its functions in accordance with the Companies Act Cap. 50 and SGX-ST Listing Manual. The functions of the AC are as follows:-

- review the audit plans and scope of the external auditors of the Company and ensure adequacy of the system of internal accounting controls and the co-operation given by the Company's management to the external auditors;
- review the quarterly, half and full year financial statements and the auditor's report on the annual financial statements of the Company and of the Group before submission to the Board;
- review the auditors' evaluation of the system of internal accounting controls and discuss problems and concerns arising from their audit or any other matters which the auditors might wish to discuss privately with the AC;
- review any formal announcements relating to the Company's financial performance in addition to the quarterly, half and full year financial statements compliance;
- meet with the external auditors and/or the Management in separate executive sessions to discuss any matters that should be discussed privately with the AC;
- review the independence of the external auditors annually and recommend the external auditors to be nominated, approve the compensation of the external auditors and review the results of the audit; and
- review interested person transactions in accordance with the requirements of the SGX-ST Listing Manual.

Apart from the duties listed above, the AC also has the power to conduct or authorise investigations into any matters within the AC's scope of responsibility. The AC is authorised to obtain independent professional advice if they deem necessary to properly discharge their responsibilities. Such expenses are borne by the Company.

9. AUDIT COMMITTEE ("AC") (cont'd)

The AC has full access to, and the co-operation of, management and has full discretion to invite any director or officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions properly.

The AC also reviews any reports by which staff of the Company; or any other officers, may; in confidence, raise concerns about possible and/or suspected fraud, irregularities, corruption, dishonest practices and/or improprieties in any matters affecting the Group. The AC's objectives are to ensure that procedures are in place for the independent investigation, when necessary, and appropriate follow up action and improvements are taken on such matters.

The AC has recommended the re-appointment of Messrs Moore Stephens as external auditors of the Company for the ensuing financial year.

The AC is satisfied with the independence and objectivity of the external auditor and recommends to the Board the nomination of the external auditor for re-appointment. The AC has reviewed all non-audit services provided to the Group by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

10. INTERNAL CONTROLS

Principle 12: *The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investment and the company's assets.*

The Company's external auditors conduct an annual review, in accordance with their audit plan, of the effectiveness of the Company's material internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or failures in internal controls and recommendations for improvements are reported to the AC. The AC also reviews the effectiveness of the actions taken by the Management on the recommendations made by the external auditors in this respect where necessary.

It is the opinion of the Board that, in the absence of evidence to the contrary, the system of internal controls maintained by the Company is in place throughout the financial year and up to the date of this report. It provides reasonable, but not absolute, assurance against material financial misstatements or losses, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, operational and compliance risks. The Board notes that all internal control systems contain inherent limitations and no system of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error losses, fraud or other irregularities. However, other procedures, policies, guidelines and compliance regulations, as discussed in the management letter issued by the external auditors, are in place to mitigate any possible and/or suspected irregularities. Nothing has come to the attention of the AC and/or Board of any deficiency and/or dysfunction of the internal control implementation that has resulted in any significant loss and/or material financial misstatement.

11. INTERNAL AUDIT

Principle 13: *The company should establish an internal audit function that is independent of the activities it audits.*

The Group outsources its internal audit function to external professional firms, as and when the need arises. The external professional firm appointed reports directly to the AC Chairman and administratively to the Managing Director. During the financial year ended 30 June 2008, the AC had engaged Messrs Horwath First Trust, established in 2002 by a dynamic team of professionals from the big four certified public accountants, to carry out an internal audit review on the purchases cycle of Songyuan Yongda Oilfields Exploration & Technology Co., Ltd, a subsidiary of the Group. The findings of the internal audit review were reported to the management and compiled with responses from the management. Based on the findings reported by the Internal Auditors, the management's responses to the recommendations for improvement and the report of the External Auditors, the AC was satisfied that there were no material weaknesses in the internal controls of this subsidiary.

The AC reviews the adequacy of the internal audit function annually and ensures that the internal audit function has appropriate standing within the Group.

12. COMMUNICATION WITH SHAREHOLDERS

Principle 14: *Companies should engage in regular, effective and fair communication with shareholders.*

Principle 15: *Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

The Board adopts the practice of regularly communicating major developments in the Group's businesses and operations through SGXNET and press releases to shareholders. All announcements and annual reports of the Company are available on the Company's website at www.magnusenergy.com.sg.

The Company sends the annual report and notice of AGM to all shareholders of the Company. The notice of AGM is advertised in a Singapore's newspaper. At the AGM, shareholders are given the opportunity to opine their views and query the Directors or the Management on matters regarding the Company. Shareholders have the opportunity to participate effectively and to vote in AGMs. They are allowed to vote in person or by appointed proxy.

During the AGM, the resolutions on each substantial issue are disclosed separately and not bundled together unless the resolutions are interdependent and linked so as to form one significant proposal. For such resolutions, clear explanation and reasons are provided together with its material implications.

The Company adopts the practices of preparation of minutes or notes of AGM, including the comments and/or queries from the shareholders and response from the Board and Management, and to make these minutes or notes available to shareholders upon their requests. In addition, the Company practises transparency during the AGM whereby the Chairman of NC, RC and AC and the Company's external auditors are present and available to address shareholders' questions and concerns about the conduct of the Company and/or audit and the preparation and content of the Independent Auditors Report.

13. SECURITIES TRANSACTIONS

The Company has in place a policy prohibiting share dealings by Directors and key executives of the Group while in possession of unpublished material or price-sensitive information during the "closed period", which is defined as two weeks before the announcement of the Group's financial statements for the first three quarters of its financial year or one month before its full financial year and ending on the date of the announcement of the relevant results. Directors and key executives of the Group are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

CORPORATE GOVERNANCE REPORT

Magnus Energy Group Ltd. ("Magnus" or the "Company") is committed to ensuring a high standard of corporate governance within the Group to protect the interests of shareholders and to promote investors' confidence within the constraints of the Group's operations and size, and supports full compliance of the Code of Corporate Governance 2005 ("Code") as required by the Singapore Exchange Securities Trading Limited (SGX-ST).

1. THE BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

Role of the Board of Directors ("Board")

The role of the Board is to oversee the business affairs of and provide strategic direction and corporate governance guidance for the Group. The Board's principal functions include:

- approving broad policies, strategies and financial objectives for the Group;
- approving the nominations of board members and key managerial personnel;
- approving budgets, major funding proposals, investment and divestment proposals;
- reviewing the Group's financial performance; and
- 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.

Board Processes

The Board has delegated specific responsibilities to three committees, namely, the Audit Committee, Nominating Committee and Remuneration Committee to support its role. These committees operate within clearly defined terms of references and operating procedures. These are reviewed on a regular basis and improved as and when required to meet the changes in the laws and other guidelines. The Committees examine specific issues and report to the Board with their decisions and/or recommendations. However, the ultimate responsibility on all matters lies with the entire Board.

14. MATERIAL CONTRACTS

There were no material contracts of the Company, or its subsidiaries involving the interests of any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, entered into since the end of previous financial year.

15. INTERESTED PERSONS TRANSACTIONS

The Company has in place proper policies and procedures for the identification, approval and monitoring of transactions with interested persons. All interested persons transactions are subject to review by the AC. During the financial year ended 30 June 2008, there were no interested persons transactions.

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 2008 and balance sheet of the Company as at 30 June 2008.

1 Directors

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

Idris Bin Abdullah @ Das Murthy	(Appointed on 23 May 2008)
Md Wira Dani Bin Abdul Daim	
Lim Kuan Yew	(Appointed on 17 March 2008)
Koh Teng Kiat	
Goh Boon Kok	
Chin Kok Sang	(Appointed on 1 July 2008)
Hisham Othman	(Appointed on 24 July 2008)

2 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 was to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

3 Share Options

(a) Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP")

Magnus Energy ESOP and Magnus Energy PSP (collectively referred to as the "Share Schemes") were approved by the shareholders at the Extraordinary General Meeting of the Company held on 19 November 2007.

The Remuneration Committee of the Company (the "RC") has been designated as the committee responsible for the administration of the Share Schemes. The members of the RC are Idris Bin Abdullah @ Das Murthy, Chin Kok Sang and Goh Boon Kok.

Under the Share Schemes, share options or awards are granted to the following persons at the absolute discretion of the RC:

(i) Group Executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and

(ii) Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the Group Executives and Non-Executive Directors whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

3 Share Options (cont'd)

(a) Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") (cont'd)

For discounted share options, the exercise price of each granted share option is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) per cent. of the Market Price. This Market Price is the weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST.

For non-discounted share options, the exercise price of each granted share option is set at Market Price or such higher price as may be determined by the RC in its absolute discretion.

The non-discounted share options were first granted on 4 December 2007 and accepted on 3 January 2008. The accepted non-discounted share options will be exercisable within 4 years on or after the first, second and third anniversary of date of the grant in the proportion of 35%, 35% and 30% respectively.

(b) Outstanding Share Options

The number of unissued ordinary shares of the Company under share options outstanding at the end of the financial year are as follows:

Date of grant	Number of shares under outstanding options	Vesting Period	Fair value
4 December 2007	2,502,500	4 December 2008 to 3 December 2009	0.0190
4 December 2007	2,502,500	4 December 2009 to 3 December 2010	0.0354
4 December 2007	2,145,000	4 December 2010 to 3 December 2011	0.0372

3 Share Options (cont'd)

(c) Pursuant to clause 852(1) of the Listing Manual of the SGX-ST, in addition to information disclosed elsewhere in this report, the directors report that the share options granted to and exercised by directors of the Company and its subsidiaries during the financial year are detailed as follows:

Name of directors	Aggregate share options granted to 30.6.2008	Aggregate share options exercised to 30.6.2008	Aggregate share options lapsed to 30.6.2008	Aggregate share options outstanding at 30.6.2008
Non-discounted share options of the Company				
Ravindran Govindan	1,664,000	–	(1,664,000)	–
Chan Sing En	4,159,000	–	(4,159,000)	–
Koh Teng Kiat	2,080,000	–	–	2,080,000
Umar Abdul Hamid	694,000	–	(694,000)	–
Lew Syn Pau	2,080,000	–	(2,080,000)	–
Goh Boon Kok	1,387,000	–	–	1,387,000
Arwan Ahimsa	768,000	–	(768,000)	–
Share options of the subsidiary, APAC Coal Limited				
Koh Teng Kiat	1,300,000	–	–	1,300,000

(i) no share options have been granted to controlling shareholders of the Company or their associates under the Magnus Energy ESOP during the financial year.

(ii) other than those as disclosed in (c)(i) above, participants who received 5% or more of the total number of options available under the Magnus Energy ESOP are as follows:

Name of participant	Aggregate share options granted to 30.6.2008	Aggregate share options exercised to 30.6.2008	Aggregate share options lapsed to 30.6.2008	Aggregate share options outstanding at 30.6.2008
Non-discounted share options				
Ong Eng Kee	1,040,000	–	–	1,040,000
Wong Siew Chuan	1,040,000	–	–	1,040,000
Alwie Handoyo	475,000	–	–	475,000

(iii) no share options were granted at a discount during the financial year.

4 Directors' 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, Cap. 50, an interest in shares of the Company and related corporations, as stated below:

	Direct interest			Deemed interest		
	As at 1.7.2007 or date of appointment, if later	As at 30.6.2008	As at 21.7.2008	As at 1.7.2007 or date of appointment, if later	As at 30.6.2008	As at 21.7.2008
The Company						
Ordinary shares						
Md Wira Dani Bin Abdul Daim	–	–	–	338,000,000	338,000,000	338,000,000
Goh Boon Kok	–	300,000	300,000	–	–	–

No other directors who held office at the end of the financial year had interests in shares or debentures of the Company or related corporations either at the beginning of the financial year or date of appointment if later or at the end of the financial year and on 21 July 2008.

5 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 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 except as disclosed in the financial statements.

6 Audit Committee

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

Goh Boon Kok, Chairman
Idris Bin Abdullah @ Das Murthy, Member (Appointed on 4 July 2008)
Chin Kok Sang, Member (Appointed on 4 July 2008)

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 effectiveness of the Company's material internal controls, including financial, operational and compliance controls and risk management;

(b) The audit plan of the Company's independent auditors and, if any, their report on the weaknesses of internal accounting control arising from their statutory audit;

(c) The assistance provided by the Group's officers to the independent auditors;

(d) Interested party transactions for the financial year ended 30 June 2008 in accordance with Chapter 9 of the Singapore Exchange Securities Trading Limited Listing Manual to satisfy themselves that the transactions are of normal commercial terms;

6 Audit Committee (cont'd)

(e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2008 before their submission to the board of directors and the independent auditors' report on those financial statements; and

(f) Recommended to the Board of Directors the independent auditors to be nominated, approved the compensation of the auditors and reviewed the scope of the audit.

The Audit Committee has recommended to the Board of Directors that the independent auditors, Moore Stephens LLP, be nominated for reappointment at the forthcoming Annual General Meeting of the Company.

The Audit Committee held four meetings during the financial year.

7 Independent Auditors

Moore Stephens was converted to Moore Stephens LLP, a limited liability partnership with effect from 1 July 2008. Accordingly, Moore Stephens LLP, Certified Public Accountants, have expressed their willingness to accept re-appointment.

8 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,

LIM KUAN YEW
Director

KOH TENG KIAT
Director

Singapore
7 October 2008

STATEMENT BY DIRECTORS

We, Lim Kuan Yew and Koh Teng Kiat, being two of the directors of Magnus Energy Group Ltd., do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement together with the notes thereto, set out on pages 28 to 96 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 2008 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,

LIM KUAN YEW
Director

KOH TENG KIAT
Director

Singapore
7 October 2008

INDEPENDENT AUDITORS' REPORT

to the Members of Magnus Energy Group Ltd.

We have audited the accompanying balance sheet of Magnus Energy Group Ltd. (the "Company") as at 30 June 2008 and the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated balance sheet as at 30 June 2008, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 28 to 96.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

(a) devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of a true and fair income statement and balance sheets and to maintain accountability of assets;

(b) selecting and applying appropriate accounting policies; and

(c) making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of the material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(cont'd)

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 Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2008 and the results, changes in equity and cash flows of the Group for the 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.

Moore Stephens LLP
Public Accountants and
Certified Public Accountants

Singapore
7 October 2008

CONSOLIDATED INCOME STATEMENT

for the financial year ended 30 June 2008

	Note	2008 S$	2007 S$ (As Restated)
Revenue	3	117,850,625	128,424,612
Cost of sales		(96,175,680)	(108,462,264)
Gross profit		21,674,945	19,962,348
Other operating income	4	4,566,549	2,413,226
Distribution and selling expenses	5	(1,100,106)	(1,671,750)
Administrative expenses	6	(14,717,082)	(14,566,441)
Other operating expenses	7	(3,306,796)	(1,478,031)
Finance income	9	550,539	446,739
Finance costs	10	(524,475)	(638,966)
Share of results of associated companies	15	50,891	(8,738)
Profit before income tax		7,194,465	4,458,387
Income tax expense	11	(1,245,930)	(1,732,844)
Profit after income tax		5,948,535	2,725,543
Attributable to:			
Equity holders of the Company		133,840	30,155
Minority interests		5,814,695	2,695,388
		5,948,535	2,725,543
Earnings per share (cents)	12		
Basic and diluted		0.008	0.002

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS

as at 30 June 2008

	Note	Group 2008 S$	Group 2007 S$ (As Restated)	Company 2008 S$	Company 2007 S$
ASSETS					
Non-Current Assets					
Property, plant and equipment	13	24,202,685	27,106,265	218,113	286,856
Investments in subsidiaries	14	–	–	50,348,950	14,086,160
Investments in associated companies	15	90,531	56,400	–	–
Investments in joint venture entities	16	–	–	–	–
Goodwill	17	9,541,486	9,747,015	–	–
Intangible assets	18	52,436,019	60,824,502	–	–
Available-for-sale financial assets	19	10,052,257	3,898,615	1,441,875	1,795,625
Deferred tax assets	11	197,516	72,992	–	–
Total Non-Current Assets		96,520,494	101,705,789	52,008,938	16,168,641
Current Assets					
Inventories	20	20,654,470	14,507,869	–	–
Trade and other receivables	22	19,829,565	18,917,332	1,588,676	1,118,373
Related parties balances	23	1,036,879	441,555	23,907,701	45,927,581
Cash and cash equivalents	24	23,605,931	14,474,627	79,137	1,758,664
Total Current Assets		65,126,845	48,341,383	25,575,514	48,804,618
Total Assets		161,647,339	150,047,172	77,584,452	64,973,259
LIABILITIES AND EQUITY					
Current Liabilities					
Trade and other payables	25	17,353,434	26,108,995	331,665	395,830
Bank overdrafts	26	2,645,512	–	1,526,243	–
Related parties balances	23	10,068,870	5,388,916	–	–
Short-term borrowings	27	3,472,225	6,043,522	–	–
Finance lease obligations	28	40,822	34,604	20,330	–
Income tax liabilities		1,487,560	1,076,050	–	–
Total Current Liabilities		35,068,423	38,652,087	1,878,238	395,830
Non-Current Liabilities					
Trade and other payables	25	–	1,937,304	–	–
Finance lease obligations	28	91,485	23,044	91,485	–
Deferred tax liabilities	11	11,935,315	12,624,037	32,800	32,800
Total Non-Current Liabilities		12,026,800	14,584,385	124,285	32,800
Total Liabilities		47,095,223	53,236,472	2,002,523	428,630
Equity					
Share capital	29	116,501,816	105,091,816	116,501,816	105,091,816
Reserves	30	(40,630,961)	(36,334,646)	(40,919,887)	(40,547,187)
		75,870,855	68,757,170	75,581,929	64,544,629
Minority interests		38,681,261	28,053,530	–	–
Total Equity		114,552,116	96,810,700	75,581,929	64,544,629
Total Liabilities and Equity		161,647,339	150,047,172	77,584,452	64,973,259

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2008

	Attributable to shareholders								
	Share Capital S$	Share-based Payment Reserve S$	Capital Reserve S$	Fair Value Reserve S$	Translation Reserve S$	Retained Earnings S$	Total S$	Minority Interests S$	Total Equity S$
Group									
2008									
Balance at 1 July 2007, as previously reported	105,091,816	–	–	65,380	(396,787)	(35,077,357)	69,683,052	28,053,530	97,736,582
Prior year adjustment (Note 40)	–	–	–	–	–	(925,882)	(925,882)	–	(925,882)
Balance at 1 July 2007, as restated	105,091,816	–	–	65,380	(396,787)	(36,003,239)	68,757,170	28,053,530	96,810,700
Fair value changes to available-for-sale financial assets	–	–	–	607,720	–	–	607,720	1,361,279	1,968,999
Deferred tax on the fair value changes to available-for-sale financial assets	–	–	–	(443,859)	–	–	(443,859)	(372,809)	(816,668)
Foreign currency translation differences	–	–	–	34,574	(4,630,129)	–	(4,595,555)	(2,755,565)	(7,351,120)
Transferred to income statement on disposal of available-for-sale financial assets	–	–	–	(66,259)	–	–	(66,259)	(24,020)	(90,279)
Income/(loss) recognised directly in equity	–	–	–	132,176	(4,630,129)	–	(4,497,953)	(1,791,115)	(6,289,068)
Net profit for the year	–	–	–	–	–	133,840	133,840	5,814,695	5,948,535
Total recognised income/(loss) for the year	–	–	–	132,176	(4,630,129)	133,840	(4,364,113)	4,023,580	(340,533)
Issuance of 70,000,000 ordinary shares at S$0.163 each via private placement	11,410,000	–	–	–	–	–	11,410,000	–	11,410,000
Issuance of additional shares by a subsidiary	–	–	–	–	–	–	–	7,406,061	7,406,061
Attributable to the disposal of a subsidiary	–	–	–	–	–	–	–	(76,314)	(76,314)
Grant of equity share options	–	67,798	–	–	–	–	67,798	29,713	97,511
Dividends paid by a subsidiary	–	–	–	–	–	–	–	(755,309)	(755,309)
Balance at 30 June 2008	116,501,816	67,798	–	197,556	(5,026,916)	(35,869,399)	75,870,855	38,681,261	114,552,116

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 30 June 2008

	Attributable to shareholders								
	Share Capital S$	Share-based Payment Reserve S$	Capital Reserve S$	Fair Value Reserve S$	Translation Reserve S$	Retained Earnings S$	Total S$	Minority Interests S$	Total Equity S$
Group (cont'd)									
2007 (As Restated)									
Balance at 1 July 2006	89,991,816	–	45,608	(97,244)	(439,055)	(36,033,394)	53,467,731	25,220,599	78,688,330
Fair value changes to available for sale financial assets	–	–	–	313,101	–	–	313,101	73,718	386,819
Foreign currency translation differences	–	–	–	–	42,268	–	42,268	114,960	157,228
Transferred to income statement on disposal of available-for-sale financial assets	–	–	–	(150,477)	–	–	(150,477)	–	(150,477)
Income recognised directly in equity	–	–	–	162,624	42,268	–	204,892	188,678	393,570
Net profit for the year (as restated)	–	–	–	–	–	30,155	30,155	2,695,388	2,725,543
Total recognised income for the year	–	–	–	162,624	42,268	30,155	235,047	2,884,066	3,119,113
Issuance of 144,221,585 ordinary shares at S$0.1047 each as partial consideration for the acquisition of shares in a subsidiary	15,100,000	–	–	–	–	–	15,100,000	–	15,100,000
Attributable to the disposal of a subsidiary	–	–	(45,608)	–	–	–	(45,608)	(2,880,031)	(2,925,639)
Minority interest of acquired subsidiary	–	–	–	–	–	–	–	3,530,523	3,530,523
Dividends paid by a subsidiary	–	–	–	–	–	–	–	(701,627)	(701,627)
Balance at 30 June 2007 (As Restated)	105,091,816	–	–	65,380	(396,787)	(36,003,239)	68,757,170	28,053,530	96,810,700

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 30 June 2008

	Note	2008 S$	2007 S$ (As Restated)
Cash Flows from Operating Activities			
Profit before income tax		7,194,465	4,458,387
Adjustments:			
Amortisation of intangible assets		1,390,109	1,160,094
Bad trade receivables (recovered)/written off		(37,085)	4,682
Bad non-trade receivables written off		64,688	–
Depreciation of property, plant and equipment		3,055,332	2,978,444
Dividend income		–	(84,799)
Impairment of intangible assets		2,176,865	–
Impairment of non-trade receivables		–	463,290
Impairment of trade receivables		141,301	–
Interest expense		368,886	484,079
Interest income		(550,539)	(446,739)
Inventories written back		–	(25,944)
Gain on disposal of available-for-sale financial assets		(1,250,295)	(114,083)
Gain on disposal of property, plant and equipment		(50,251)	(633,553)
Goodwill written off on disposal of subsidiaries		–	220,000
Grant of equity share options		82,082	–
(Gain)/Loss on disposal of subsidiaries		(286,759)	1,257,585
Loss on deemed disposal of a subsidiary		1,129,535	–
Share of results of associated companies		(50,891)	8,738
Operating cash flow before working capital changes		13,377,443	9,730,181
Changes in operating assets and liabilities:			
Inventories		(6,146,601)	2,178,628
Contracts		–	(1,083,526)
Trade and other receivables		(2,229,674)	1,841,572
Trade and other payables		(9,025,823)	3,133,926
Related parties balances (net)		4,734,794	(11,471,699)
Cash flows generated from operations		710,139	4,329,082
Interest income received		550,539	446,739
Interest paid		(368,886)	(484,079)
Income taxes paid		(682,432)	(743,769)
Net cash flows generated from operating activities		209,360	3,547,973

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 30 June 2008

(cont'd)

	Note	2008 S$	2007 S$ (As Restated)
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		808,229	1,343,734
Purchase of property, plant and equipment	B	(1,884,948)	(5,627,460)
Net proceeds from sale of available-for-sale financial assets		1,541,349	6,857,392
Acquisition of available-for-sale financial assets		(4,532,957)	(5,900,552)
Payment of additional participating interest for the exploration of an area covered by the Petroleum Exploration Licence 101 granted under the Petroleum Act 2000 of South Australia		(2,034,813)	–
Payment of exploration and evaluation for the Kuaro coal formation in Indonesia		(68,820)	(532,883)
Net cash flow from disposal of subsidiaries	C	351,566	(1,817,596)
Net cash flow used in the acquisition of a subsidiary	D	–	(7,923,810)
Payment of dividends by a subsidiary company to minority interests		(755,309)	(701,627)
Dividend income received		–	84,799
Net cash flow used in investing activities		(6,575,703)	(14,218,003)
Cash Flows from Financing Activities			
Proceeds from short-term borrowings		496,303	209,472
Net proceeds from issue of shares, net of expenses		11,410,000	–
Net proceeds from issue of shares to minority interests		7,406,061	–
Repayment of lease obligations		(67,651)	(34,590)
Repayment of short-term borrowings		(2,693,450)	(985,880)
Fixed deposits pledged to a bank		(2,024,625)	(2,192,219)
Bills payable to banks		–	217,897
Net cash flows generated from/(used in) financing activities		14,526,638	(2,785,320)
Net foreign currency translation adjustments		(3,699,128)	(273,016)
Net increase/(decrease) in cash and cash equivalents		4,461,167	(13,728,366)
Cash and cash equivalents at the beginning of the year		6,176,130	19,904,496
Cash and cash equivalents at the end of the year	A	10,637,297	6,176,130

A. Cash and cash equivalents

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

	Note	2008 S$	2007 S$
Cash and bank balances	24	13,282,809	4,569,456
Fixed deposits	24	–	1,606,674
Bank overdrafts, unsecured	26	(2,645,512)	–
		10,637,297	6,176,130

The accompanying notes form an integral part of the financial statements

(cont'd)

B. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of S$2,027,258 (2007: S$5,627,460) of which S$142,310 (2007: S$Nil) was acquired by means of finance leases. Cash payments of S$1,884,948 (2007: S$5,627,460) 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 2008 and 2007 were as follows:

	2008	**2007**
	S$	**S$**
Property, plant and equipment	764,011	307,947
Inventories	–	9,185,262
Trade and other receivables	414,366	5,894,690
Cash and cash equivalents	61,959	3,012,254
Trade and other payables	(323,549)	(12,492,904)
Related parties balances (net)	(681,838)	(341,934)
Income tax liabilities	(31,869)	(201,695)
Deferred tax liabilities	–	(31,346)
Minority interests	(76,314)	(2,880,031)
Net assets disposed of	126,766	2,452,243
Gain/(loss) on disposal	286,759	(1,257,585)
Proceeds from disposal of subsidiaries	413,525	1,194,658
Less:		
Cash and cash equivalents of subsidiaries disposed of	(61,959)	(3,012,254)
Net cash inflow/(outflow) on disposal of subsidiaries	351,566	(1,817,596)

The accompanying notes form an integral part of the financial statements

CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 30 June 2008

(cont'd)

D. Acquisition of a subsidiary

The attributable net assets of a subsidiary acquired during the year ended 30 June 2007 were as follows:

	2007 **S$** **(As Restated)**
Property, plant and equipment	18,650,760
Intangible assets	17,010,390
Inventories	54,520
Trade and other receivables	1,448,943
Cash and cash equivalents	76,190
Trade and other payables	(4,126,856)
Short-term borrowings	(3,046,120)
Net assets acquired	30,067,827
Minority interests	(3,530,523)
Total purchase consideration	26,537,304
Purchase consideration satisfied via share issue	(15,100,000)
Total purchase consideration satisfied via cash	11,437,304
Less:	
Cash and cash equivalents of a subsidiary acquired	(76,190)
Purchase consideration payable	(3,437,304)
Net cash flow used in the acquisition of a subsidiary	7,923,810

The accompanying notes form an integral part of the financial statements

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate Information

Magnus Energy Group Ltd. (the "Company") is a public listed company incorporated and domiciled in Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 10 Anson Road #33-13, International Plaza, Singapore 079903.

Beginning 2008, the principal activities of the Company are those of investment holding. In prior years, the Company was engaged in the provision of mechanical and electrical engineering services and dealing in electrical products. The principal activities of the subsidiaries, associated companies and joint venture entities are set out in Notes 14, 15, and 16, 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") and the provisions of the Singapore Companies Act, Cap. 50. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires the Directors to exercise judgement in the process of applying the Group's accounting policies and requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on the Directors' best knowledge of historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 38 to the financial statements.

Adoption of New/Revised FRS and Interpretations to FRS (INT FRS)

During the financial year, the Group has adopted all the following new and revised FRS and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. The adoption of these new and revised FRS and INT FRS did not have any significant financial impact on the financial statements of the Group.

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

FRS and INT FRS issued but not yet effective

The Group has not adopted the following FRS and INT FRS that have been issued and relevant to the Group but are not yet effective:

			Effective date (Annual periods beginning on or after)
FRS 23	:	Borrowing Costs	1 January 2009
FRS108	:	Operating Segments	1 January 2009
INT FRS 112	:	Service Concession Arrangements	1 January 2008

The Group expects that the adoption of the above FRS and INT FRS will have no material impact on the financial statements in the period of initial application, except as indicated below:

FRS 108 requires additional disclosures of information about the Group's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers.

INT FRS 112 sets out general principles on recognising and measuring the obligations and related rights in two types of service concession arrangements. The operator can either receive a financial asset in return for constructing or upgrading the public sector asset or the operator receives an intangible asset, if it has a right to charge for use of the public sector asset that it constructs or upgrades. A right to charge users is not an unconditional right to receive cash because the amounts are contingent on the extent to which the public uses the service.

INT FRS 112 requires the Group to derecognise the infrastructure in the oil concession arrangements as property, plant and equipment. The Group will then recognise the cost of infrastructure as an intangible asset since the Group provides infrastructure to the grantor in exchange for the oil concession rights. The intangible asset will then be amortised over the remaining life of the oil concession rights. The Group will recognise the revenue once delivery of oil has taken place.

(b) Basis of Consolidation

(i) Subsidiaries

Subsidiaries are those companies controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of a company so as to obtain benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition.

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

(i) Subsidiaries (cont'd)

All significant intra-group balances, transactions, revenue and expenses and unrealised gains and losses resulting from intra-group transactions that are recognised in assets are eliminated on consolidation. Assets, liabilities and results of foreign subsidiaries are translated into Singapore dollar on the basis outlined in paragraph (c) below. The results of subsidiaries acquired or disposed of during the year are included in or excluded from the consolidated income statement from the date of their acquisition or disposal.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which is not owned directly or indirectly by the Group. It is measured at the minority's share of the subsidiary's identifiable assets and liabilities at the date of acquisition by the Group and the minority's share of changes in equity since the date of acquisition, except where losses applicable to the minority in the subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are attributed to the equity holders of the Company. When that subsidiary subsequently reports profits, the profits applicable to the minority are attributed to the equity holders of the Company until the minority's share of losses previously absorbed by the equity holders of the Company has been recovered.

(ii) Associated Companies

An associated company is an entity over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Investment in associated company is accounted for in the consolidated financial statements using the equity method of accounting.

Equity accounting involves recording investment in associated company (includes costs directly attributable to the acquisition) initially at cost, and recognising the Group's share of its associated company's post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses. Where the audited financial statements with financial year ends that are not co-terminous with those of the Group, the share of results is arrived at from the latest available audited financial statements and unaudited management financial statements to the end of the accounting period.

In applying the equity method of accounting, unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The goodwill on acquisition of associated companies is included within the carrying amount of the investment and is assessed for impairment as part of the investments.

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

(iii) Joint Venture Entities

A joint venture entity is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control, that is when the strategic financial and operating policy decisions relating to the activities require the unanimous consent of the parties sharing control.

Where a Group entity undertakes its activities under joint venture arrangement directly, the Group's share of jointly controlled assets and any liabilities incurred jointly with other venturers are recognised in the financial statements of the relevant entity and classified according to their nature. Liabilities and expenses incurred directly in respect of interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the Group's share of the output of jointly controlled assets, and its share of joint venture expenses, are recognised when it is probable that the economic benefits associated with the transactions will flow to/from the Group and their amount can be measured reliably.

Joint venture arrangements that involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities. The Group reports its interests in jointly controlled entities using proportionate consolidation, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 Non-Current Assets Held for Sale and Discontinued Operations. The Group's share of the assets, liabilities, income and expenses of jointly controlled entities are combined with the equivalent items in the consolidated financial statements on a line-by line basis.

Any goodwill arising on the acquisition of the Group's interest in a jointly controlled entity is accounted for in accordance with the Group's accounting policy for goodwill arising on the acquisition of a subsidiary.

Where the Group transacts with its jointly controlled entities, unrealised profits and losses are eliminated to the extent of the Group's interests in the joint venture entities.

(c) Foreign Currency Translation

(i) Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the primary economic environment in which each of the entities within the Group operates (the "functional currency"). The consolidated financial statements and the balance sheet of the Company are presented in Singapore Dollars, which is the functional and presentation currency of the Group and the Company.

(ii) Translation and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of such transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet are recognised in the income statement except for currency translation differences on net investment in foreign entities which are taken to equity. Currency translation differences on non-monetary items such as equity investments classified as available-for-sale financial assets are included in the fair value reserve in equity.

2 Summary of Significant Accounting Policies (cont'd)

(c) Foreign Currency Translation (cont'd)

(iii) Translation of Group Entities' Financial Statements

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are taken to the foreign currency translation reserve.

(iv) Consolidation Adjustments

On consolidation, currency translation differences arising from the net investment in foreign operations, borrowings in foreign currencies, and other currency instruments designated as hedges of such investments, are taken to the currency translation reserve. When a foreign operation is sold, such currency translation differences recorded in the currency translation reserve are recognised in the income statement as part of the gain or loss on sale.

(d) Revenue Recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of taxes, rebates and discounts, and after eliminating sales within the Group.

Revenue is recognised as follows:

(i) Revenue from Sale of Goods

Revenue from sale of goods is recognised upon passage of title to the customers which generally coincides with their delivery and acceptance, net of goods and services tax and sales returns.

(ii) Revenue from Contracts

Revenue from contracts is recognised in accordance with the accounting policy stated in Note 2(n) below.

(iii) Revenue from Maintenance Services

Revenue from maintenance services is recognised on a pro-rated basis over the period of the maintenance contract based on services performed.

(iv) Rental Income

Rental income is recognised under the terms set out in specific rental agreements.

2 Summary of Significant Accounting Policies (cont'd)

(d) Revenue Recognition (cont'd)

(v) Service Fee Income

Service fee income is recognised when the related services are rendered.

(vi) Dividend Income

Dividend income from quoted investments is recognised when the shareholders' right to receive payment has been established.

(vii) Interest Income

Interest income is recognised on a time apportioned basis using the effective interest method.

Group revenue excludes intercompany transactions.

(e) Employee Benefits

(i) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The Group's contributions are recognised as employee compensation expense when they are due.

A subsidiary, incorporated and operating in the People's Republic of China (PRC), is required to provide certain retirement plan contribution to their employees under existing PRC regulations. Contributions are provided at rates stipulated by the PRC regulations and are managed by government agencies, which are responsible for administering these amounts for the subsidiaries' employees.

(ii) Employee Leave Entitlement

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

(iii) Share-based Compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense in the income statement with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in the income statement, with a corresponding adjustment to the share option reserve over the remaining vesting period.

2 Summary of Significant Accounting Policies (cont'd)

(e) Employee Benefits (cont'd)

(iii) Share-based Compensation (cont'd)

When the share options are exercised, the proceeds received (net of any directly attributable transaction costs) and the related balance previously recognised in the share option reserve is credited to share capital when new ordinary shares are issued.

(f) Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(i) Components of Costs

The cost of an item of property, plant and equipment includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is also included as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

(ii) Depreciation

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

Freehold building	40 years
Leasehold properties	65 years
Leasehold buildings and improvements	5 - 15 years
Machinery, tools and equipment	3 - 10 years
Oil and gas properties	Over the remaining life of the oil concession rights
Motor vehicles	5 - 10 years
Computers	3 - 5 years
Office equipment	5 - 8 years
Furniture and fittings	5 - 10 years
Renovations	6 years

No depreciation is charged for freehold land.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision of the residual values and useful lives are included in the income statement for the financial year in which the changes arise.

(iii) Subsequent Expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in the income statement during the financial year in which it is incurred.

2 Summary of Significant Accounting Policies (cont'd)

(f) Property, Plant and Equipment (cont'd)

(iv) Disposal

On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement. Any amount in revaluation reserve relating to that asset is transferred to retained earnings directly.

(g) Investments in Subsidiaries, Associated Companies and Joint Venture Entities

Investments in subsidiaries, associated companies and joint venture entities are stated in the Company's balance sheet at cost less any impairment losses. On disposal of investments in subsidiaries, associated companies and joint venture entities, the difference between net disposal proceeds and the carrying amounts of the investments are taken to the income statement.

(h) Goodwill on Consolidation

Goodwill represents the excess of the cost of an acquisition of subsidiary or a jointly controlled entity over the fair value of the Group's share of their identifiable assets, liabilities and contingent liabilities, at the date of acquisition. Goodwill on acquisition of a subsidiary and jointly controlled entity is classified as goodwill on consolidation.

Following initial recognition, goodwill is measured at cost less any impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit ("CGU") to which the goodwill relates. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognised in the income statement. Impairment loss on goodwill is not reversed in a subsequent period.

Gains and losses on disposal of the subsidiaries and joint venture entities include the carrying amount of goodwill relating to the entity disposed.

The Group's policy for goodwill arising on the acquisition of an associated company is described under "Associated Companies" in Note 2(b)(ii).

Negative goodwill which represents the excess of the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the income statement on the date of acquisition.

(i) Intangible Assets

(i) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Capitalised exploration and development expenditure is stated at cost less any accumulated amortisation and any accumulated impairment losses.

2 Summary of Significant Accounting Policies (cont'd)

(i) Intangible Assets (cont'd)

(i) Exploration and Development Expenditure (cont'd)

Amortisation of costs carried forward will be charged from the commencement of production. When production commences, costs of productive areas are amortised over the life of the area of interest to which such costs relate on the production output basis.

(ii) Coal Concession Rights

Coal concession rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the coal concession rights over the license period of 30 years, commencing from the date that mining operations commence.

(iii) Oil Concession Rights

Oil concession rights are stated at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the oil concession rights over the remaining life of the concession rights of 12 years.

(j) Financial Assets

(a) Classification

The Group classifies its financial assets in the following categories: loans and receivables, and available-for-sale financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date.

(i) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except those maturing later than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are classified within "trade and other receivables" and "cash and cash equivalents" on the balance sheet as disclosed under Note 2(o) and Note 2(p), respectively.

(ii) Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the assets within 12 months after the balance sheet date.

2 Summary of Significant Accounting Policies (cont'd)

(j) Financial Assets (cont'd)

(b) Recognition and Derecognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On sale of a financial asset, the difference between the net sale proceeds and its carrying amount is taken to the income statement. Any amount in the fair value reserve relating to that asset is also taken to the income statement.

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

(c) Initial Measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

(d) Subsequent Measurement

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed into translation differences resulting from changes in fair value of the asset and other changes. The translation differences are recognised in the income statement, and other changes are recognised in the fair value reserve within equity. Changes in fair values of other monetary and non-monetary assets that are classified as available-for-sale are recognised in the fair value reserve within equity.

(k) Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Loans and Receivables

An allowance for impairment of loans and receivables, including trade and other receivables, is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance for impairment is recognised in the income statement.

2 Summary of Significant Accounting Policies (cont'd)

(k) Impairment of Financial Assets (cont'd)

(ii) Available-for-Sale Financial Assets

In the case of an equity security classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the security is impaired.

When there is objective evidence that an available-for-sale financial asset is impaired, the cumulative loss that has been recognised directly in the fair value reserve is removed from the fair value reserve within equity and recognised in the income statement. The cumulative loss recognised in the income statement cannot be subsequently reversed. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

(l) Impairment of Non-Financial Assets Excluding Goodwill

Non-financial assets excluding goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If such indication exists, the recoverable amount (i.e. the higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The impairment loss is recognised in the income statement unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised in the income statement, a reversal of that impairment is also recognised in the income statement.

2 Summary of Significant Accounting Policies (cont'd)

(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:

Finished goods

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

Work in progress
Cost of direct materials (specific identification) and other attributable overheads.

Net realisable value represents the estimated selling price less anticipated cost of disposal and after making allowance for damaged, obsolete and slow-moving items.

(n) Contracts

Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion of contract value certified to date bear to the estimated total contract value, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract value certified that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is possible that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(o) Trade and Other Receivables

Trade receivables are generally on 30-90 day terms. These trade and other receivables, including amounts due from subsidiaries, joint venture entities, associated companies and related parties, are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method, less allowance for impairment. An allowance for impairment of receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables. The amount of the allowance is the difference between the asset's carrying amount and the present value of the estimated cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in the income statement.

(p) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances, fixed deposits and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

For purposes of the consolidated cash flow statement, cash and cash equivalents consist of cash and bank balances, and fixed deposits with banks but exclude those amounts that were pledged to secure banking facilities granted to the Group.

2 Summary of Significant Accounting Policies (cont'd)

(q) Trade and Other Payables

These trade and other payables are normally settled on 30-90 day terms. Trade and other payables including amount due to subsidiaries, associated companies, joint venture entities, and related parties are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method.

(r) Borrowings and Borrowing Costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. They are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to income statement over the period of the borrowings using the effective interest method.

Borrowings which are due to be settled within 12 months after the balance sheet date are presented as current borrowings. Other borrowings due to be settled more than 12 months after the balance sheet date are presented as non-current borrowings in the balance sheet.

Borrowing costs are charged to the income statement when incurred. Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalisation 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.

(s) Provision for Liabilities and Charges

Provisions for asset dismantlement, removal or restoration, warranty, restructuring and legal claims are recognised when the Group has a legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

(t) Leases

(i) Finance Leases

Leases of property, plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the balance sheet as property, plant and equipment and borrowings respectively at the inception of the leases at the lower of the fair values of the leased assets and the present values of the minimum lease payments.

Each lease payment is apportioned between the finance charge and the reduction of the outstanding lease liability. The finance charge is recognised in the income statement and allocated to each period during the lease term so as to achieve a constant periodic rate of interest on the remaining balance of the finance lease liability.

Contingent rents are recognised as an expense in the income statement in the financial year in which they are incurred.

2 Summary of Significant Accounting Policies (cont'd)

(t) Leases (cont'd)

(ii) Operating Leases

Leases of property, plant and equipment where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken to the income statement on a straight-line basis over the period of the lease.

(u) Income Tax

Current income tax liabilities (and assets) for current and prior periods are recognised at the amounts expected to be paid to (or recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets/liabilities are recognised for all deductible taxable temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax assets/liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, associated companies and joint venture entities, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at:

(i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date; and

(ii) the tax consequence that would follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

Current and deferred income tax are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax on temporary differences arising from the revaluation gains and losses on land and buildings, fair value gains and losses on available-for-sale financial assets and cash flow hedges, and the liability component of convertible debts are charged or credited directly to equity in the same period the temporary differences arise. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(v) Related Parties

A related party is an entity or person that directly or indirectly through one or more intermediate controls, is controlled by, or is under common or joint control with, the entity in governing the financial and operating policies, or that has an interest in the entity that gives it significant influence over the entity in financial and operating decisions. It also includes members of the key management personnel or close members of the family or any individual referred to herein and others who have the ability to control, jointly control or significantly influence by or for which significant voting power in such entity resides with, directly or indirectly, any such individual. This includes parents, subsidiaries, fellow subsidiaries, associates, joint venture and post-employment benefit plan, if any.

2 Summary of Significant Accounting Policies (cont'd)

(w) Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

3 Revenue

	Group	
	2008	**2007**
	S$	**S$**
Revenue comprises the following:		
Revenue from sale of goods	111,789,959	122,014,277
Revenue from contracts	–	1,280,984
Revenue from maintenance services	2,366,781	3,570,232
Revenue from rental of equipment	3,693,885	1,559,119
	117,850,625	128,424,612

4 Other Operating Income

	Group	
	2008	**2007**
	S$	**S$**
Other operating income comprises the following:		
Bad trade receivables recovered	37,085	–
Dividend income from quoted investments	–	84,799
Fair value gains transferred from fair value reserve upon disposal of available-for-sale financial assets	90,279	150,477
Foreign exchange gain (net)	2,109,243	668,636
Gain on disposal of available-for-sale financial assets	1,250,295	114,083
Gain on disposal of property, plant and equipment	50,251	633,553
Gain on disposal of subsidiaries	286,759	–
Rental of equipment	13,797	12,455
Secretarial and taxation fees	1,920	9,830
Service fee income	444,356	332,189
Other income	282,564	407,204
	4,566,549	2,413,226

5 Distribution and Selling Expenses

	Group	
	2008	2007
	S$	S$
The following key items have been included in arriving at distribution and selling expenses:		
Bad trade receivables written off	–	4,682
Bad non-trade receivables written off	64,688	–
Entertainment expenses	296,594	280,191
Impairment of non-trade receivables	–	463,290
Impairment of trade receivables	141,301	–
Public relation expenses	44,754	215,560
Travelling expenses	453,437	549,905

6 Administrative Expenses

	Group	
	2008	2007
	S$	S$
		(As Restated)
The following key items have been included in arriving at administrative expenses:		
Amortisation of intangible assets	1,390,109	1,160,094
Depreciation of property, plant and equipment	1,339,505	1,638,085
Directors' remuneration and fees	1,999,410	1,548,342
Office and operation supplies expenses	115,890	407,995
Operating lease expenses	441,209	535,068
Overseas exploration expenses	426,598	212,499
Professional fees	535,656	509,668
Staff costs	6,029,549	6,368,061

7 Other Operating Expenses

	Group	
	2008	2007
	S$	S$
The following key items have been included in arriving at other operating expenses:		
Impairment of intangible assets	2,176,865	–
Loss on deemed disposal of a subsidiary	1,129,535	–
Loss on disposal of subsidiaries	–	1,257,585
Goodwill written-off on disposal of subsidiaries	–	220,000

In the financial year 2007, the Group sold Wilmax Control Systems Pte Ltd and its subsidiaries for a consideration of S$1,194,658. The net assets at the date of disposal were S$2,452,243 and the loss on disposal was S$1,257,585.

8 Personnel Expenses

	Group 2008 S$	Group 2007 S$
Staff costs		
- wages, salaries and bonuses	5,411,818	5,878,137
- pension fund contributions	342,180	335,774
- other personnel expenses	275,551	154,150
	6,029,549	6,368,061
Directors' remuneration		
- directors of the Company	782,578	589,933
- directors of subsidiaries	1,034,509	849,074
Directors' fees		
- directors of the Company	182,323	109,335
	8,028,959	7,916,403

9 Finance Income

	Group 2008 S$	Group 2007 S$
Interest income		
- bank balances	482,758	342,335
- fixed deposits	67,737	104,404
- trust accounts	44	–
	550,539	446,739

10 Finance Costs

	Group 2008 S$	Group 2007 S$
Interest expense		
- bank overdrafts	37,148	28,181
- bills payable to banks	–	2,477
- finance leases	4,988	3,140
- short-term borrowings	326,750	450,281
	368,886	484,079
Bank charges	127,185	154,887
Others	28,404	–
	524,475	638,966

11 Income Tax

	Group	
	2008	2007
	S$	S$
Current tax		
- current year	1,584,320	1,368,376
- (over)/under provision in respect of prior years	(21,457)	189,240
Deferred tax		
- current year	(316,933)	175,228
	1,245,930	1,732,844

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

	Group	
	2008	2007
	S$	S$
		(As Restated)
Profit before income tax	7,194,465	4,458,387
Tax at the applicable tax rate of 18% (2007: 18%)	1,295,004	802,510
Tax effect of non-deductible expenses	902,683	481,027
Tax effect of non-taxable income	(855,263)	(719,060)
(Over)/under provision in respect of prior years	(21,457)	189,240
Deferred tax asset not recognised	465,946	310,185
Utilisation of deferred tax asset not recognised in prior years	(18,596)	(23,921)
Effect of different tax rates in other countries	(522,387)	692,863
	1,245,930	1,732,844

The Group has unutilised tax losses of approximately S$12,713,833 as at 30 June 2008 (2007: S$10,295,005) 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 have not been recognised in the financial statements in accordance with the accounting policy as stated in Note 2(u) to the financial statements.

11 Income Tax (cont'd)

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

	At 1 July 2007 S$	Credited to income statement S$	Equity S$	At 30 June 2008 S$
2008				
Group				
Deferred tax assets				
Provisions	(72,992)	(124,524)	–	(197,516)
Deferred tax liabilities				
Property, plant and equipment	1,375,328	(112,955)	–	1,262,373
Available-for-sale financial assets	–	–	816,668	816,668
Intangible assets	11,948,002	(79,454)	(1,312,981)	10,555,567
Others	(699,293)	–	–	(699,293)
	12,624,037	(192,409)	(496,313)	11,935,315
	12,551,045	(316,933)	(496,313)	11,737,799
Company				
Deferred tax liabilities				
Temporary differences	32,800	–	–	32,800

	At 1 July 2006 S$	Disposal of subsidiaries S$	Debited/ (Credited) to income statement S$	At 30 June 2007 S$
2007				
Group				
Deferred tax assets				
Provisions	(35,340)	–	(37,652)	(72,992)
Deferred tax liabilities				
Property, plant and equipment	497,901	(24,423)	901,850	1,375,328
Intangible assets	11,948,002	–	–	11,948,002
Others	(3,400)	(6,923)	(688,970)	(699,293)
	12,442,503	(31,346)	212,880	12,624,037
	12,407,163	(31,346)	175,228	12,551,045
Company				
Deferred tax liabilities				
Temporary differences	32,800	–	–	32,800

12 Earnings per Share

	Group 2008 S$	Group 2007 S$ (As Restated)
Profit attributable to equity holders of the Company	133,840	30,155
Weighted average number of ordinary shares outstanding for basic earnings per share	1,750,454,016	1,626,643,022
Adjustment for assumed conversion of share options	7,150,000	–
Weighted average number of ordinary shares outstanding for diluted earnings per share	1,757,604,016	1,626,643,022
Basic and diluted earnings per share (cents)	0.008	0.002

Basic earnings per share are calculated by dividing the Group profit attributable to shareholders of the Company by the weighted average number of shares in issue during the year.

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares are adjusted for the effects of all dilutive potential ordinary shares.

As at 30 June 2008, diluted earnings per share is the same as basic earnings per share as the potential ordinary shares were anti-dilutive and would decrease earnings per share as at 30 June 2008, therefore, the effect of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings as per share.

As at 30 June 2007, diluted earnings per share is the same as basic earnings per share as there were no potential ordinary shares.

13 Property, Plant and Equipment

	Freehold land S$	Freehold building S$	Leasehold buildings and improvements S$	Machinery, tools and equipment S$	Oil and gas properties S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
Group											
2008											
Cost											
As at 1.7.2007	462,404	793,386	334,483	9,956,243	22,334,378	1,041,803	792,347	78,920	627,528	31,435	36,452,927
Additions	–	–	–	1,488,725	277,503	193,512	26,092	1,849	39,577	–	2,027,258
Attributable to disposal of subsidiaries	–	–	–	(1,030,091)	–	–	(4,227)	–	–	–	(1,034,318)
Disposals/write off	–	–	–	(265,616)	(563,880)	(230,813)	(5,611)	(14,244)	(6,508)	–	(1,086,672)
Translation differences	(51,643)	(21,975)	(37,356)	(568,735)	(399,229)	(63,179)	(80,363)	(8,142)	(31,212)	–	(1,261,834)
As at 30.6.2008	410,761	771,411	297,127	9,580,526	21,648,772	941,323	728,238	58,383	629,385	31,435	35,097,361
Accumulated depreciation and impairment											
As at 1.7.2007	–	83,468	316,707	5,924,545	1,454,967	403,877	677,861	54,586	425,411	5,240	9,346,662
Charge for the year	–	13,174	5,583	1,092,904	1,660,919	185,321	45,918	5,893	40,380	5,240	3,055,332
Attributable to disposal of subsidiaries	–	–	–	(268,699)	–	–	(1,608)	–	–	–	(270,307)
Disposals/write off	–	–	–	(240,211)	(38,677)	(66,212)	(3,253)	–	(2,076)	–	(350,429)
Translation differences	–	(48,021)	(35,630)	(568,706)	(68,565)	(36,901)	(72,173)	(20,442)	(36,144)	–	(886,582)
As at 30.6.2008	–	48,621	286,660	5,939,833	3,008,644	486,085	646,745	40,037	427,571	10,480	10,894,676
Net book value											
As at 30.6.2008	410,761	722,790	10,467	3,640,693	18,640,128	455,238	81,493	18,346	201,814	20,955	24,202,685

13 Property, Plant and Equipment (cont'd)

	Freehold land S$	Freehold building S$	Leasehold properties S$	Leasehold buildings and improvements S$	Machinery, tools and equipment S$	Oil and gas properties S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
Group												
2007												
Cost												
As at 1.7.2006	453,646	778,359	569,152	343,447	9,927,386	–	1,236,290	1,036,994	112,569	694,345	52,248	15,204,436
Additions	–	–	–	–	1,422,466	3,621,600	347,202	82,322	21,683	100,752	31,435	5,627,460
Attributable to disposal of subsidiaries	–	–	(569,152)	–	(218,288)	–	(162,224)	(239,428)	(40,203)	(93,774)	–	(1,323,069)
Attributable to acquisition of subsidiaries	–	–	–	–	305,255	18,271,246	66,193	2,970	5,096	–	–	18,650,760
Disposals/write off	–	–	–	–	(1,104,220)	–	(417,769)	(57,485)	(17,185)	(75,451)	(52,248)	(1,724,358)
Translation differences	8,758	15,027	–	(8,964)	(376,356)	441,532	(27,889)	(33,026)	(3,040)	1,656	–	17,698
As at 30.6.2007	462,404	793,386	–	334,483	9,956,243	22,334,378	1,041,803	792,347	78,920	627,528	31,435	36,452,927
Accumulated depreciation and impairment												
As at 1.7.2006	–	68,021	569,152	316,550	5,535,406	–	755,562	768,485	77,779	526,642	29,922	8,647,519
Charge for the year	–	12,325	–	5,641	1,391,710	1,307,047	143,603	64,551	7,850	40,478	5,239	2,978,444
Attributable to disposal of subsidiaries	–	–	(569,152)	–	(115,779)	–	(141,184)	(93,958)	(23,955)	(71,094)	–	(1,015,122)
Disposals/write off	–	–	–	–	(519,821)	–	(342,001)	(45,958)	(8,369)	(67,779)	(29,921)	(1,013,849)
Translation differences	–	3,122	–	(5,484)	(366,971)	147,920	(12,103)	(15,259)	1,281	(2,836)	–	(250,330)
As at 30.6.2007	–	83,468	–	316,707	5,924,545	1,454,967	403,877	677,861	54,586	425,411	5,240	9,346,662
Net book value												
As at 30.6.2007	462,404	709,918	–	17,776	4,031,698	20,879,411	637,926	114,486	24,334	202,117	26,195	27,106,265

13 Property, Plant and Equipment (cont'd)

	Machinery, tools and equipment S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture and fittings S$	Renovations S$	Total S$
Company							
2008							
Cost							
As at 1.7.2007	–	225,888	43,504	3,590	43,995	31,435	348,412
Additions	–	188,644	7,818	631	–	–	197,093
Disposals	–	(225,888)	(3,608)	–	–	–	(229,496)
As at 30.6.2008	–	188,644	47,714	4,221	43,995	31,435	316,009
Accumulated depreciation							
As at 1.7.2007	–	31,373	20,277	386	4,281	5,239	61,556
Charge for the year	–	81,672	12,664	454	4,400	5,239	104,429
Disposals	–	(65,884)	(2,205)	–	–	–	(68,089)
As at 30.6.2008	–	47,161	30,736	840	8,681	10,478	97,896
Net book value							
As at 30.6.2008	–	141,483	16,978	3,381	35,314	20,957	218,113
2007							
Cost							
As at 1.7.2006	18,050	294,176	65,256	17,643	65,626	52,248	512,999
Additions	–	225,888	33,179	3,132	43,995	31,435	337,629
Disposals	(18,050)	(294,176)	(54,931)	(17,185)	(65,626)	(52,248)	(502,216)
As at 30.6.2007	–	225,888	43,504	3,590	43,995	31,435	348,412
Accumulated depreciation							
As at 1.7.2006	17,411	255,442	51,425	8,375	61,942	29,922	424,517
Charge for the year	–	33,360	12,691	380	4,281	5,239	55,951
Disposals	(17,411)	(257,429)	(43,839)	(8,369)	(61,942)	(29,922)	(418,912)
As at 30.6.2007	–	31,373	20,277	386	4,281	5,239	61,556
Net book value							
As at 30.6.2007	–	194,515	23,227	3,204	39,714	26,196	286,856

13 Property, Plant and Equipment (cont'd)

As at 30 June 2008, the Group had motor vehicles under finance leases with a net book value of approximately S$288,473 (2007: S$227,522).

	2008 S$	2007 S$
Movements in the accumulated depreciation comprises the following:		
- Depreciation included in administrative expenses	1,339,505	1,638,085
- Depreciation included in cost of sales	1,678,581	1,340,359
- Depreciation capitalised in inventories	37,246	–
	3,055,332	2,978,444

14 Investments in Subsidiaries

(a) Investments in subsidiaries comprise:

	Company	
	2008 S$	2007 S$
Unquoted equity shares, at cost:		
Balance at 1 July	14,596,160	14,467,307
Additional investment in subsidiaries	36,262,790	128,853
	50,858,950	14,596,160
Less: Impairment loss	(510,000)	(510,000)
Balance at 30 June	50,348,950	14,086,160

(b) The Company and the Group had the following subsidiaries as at 30 June 2008:

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective equity interest held by the Group 2008 %	2007 %
Held by the Company				
Antig Investments Pte. Ltd.	Investment holding	Singapore	100.00	100.00
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
Strike Development Pte Ltd [7]	Property development	Singapore	51.00	51.00

14 Investments in Subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June 2008 (cont'd):

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective equity interest held by the Group 2008 %	2007 %
Held by the Company (cont'd)				
Green Heritage Overseas Ltd[1]	Investment holding	British Virgin Islands	100.00	100.00
Bridging Resources Ltd[1]	Investment holding	British Virgin Islands	100.00	100.00
APAC Coal Limited [8]	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	56.87	100.00
Held by Antig Investments Pte. Ltd.				
PT Deefu Chemical Indonesia [2]	Trading in chemical materials	Indonesia	72.00	72.00
Held by PT Deefu Chemical Indonesia				
PT Batubara Selaras Sapta [2]	Coal mining and marketing of coal products	Indonesia	68.40	68.40
Held by Mid-Continent Equipment Group Pte Ltd				
Mid-Continent Petro-Chemical Pte Ltd [5]	Market chemicals, equipment and other petro-chemical related products to refineries	Singapore	–	54.35
Mid-Continent Equipment (Australia) Pty Ltd [3]	Supply of oilfield and mining equipment	Australia	54.35	54.35
Mid-Continent Enterprises, LLC [1]	Holding of warehouse property	USA	54.35	54.35
Mid-Continent Equipment, Inc. [4]	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
Citation Exploration Services Pte Ltd [5]	Provision of drilling services to mining industry	Singapore	–	27.72

14 Investments in Subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June 2008 (cont'd):

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective equity interest held by the Group 2008 %	2007 %
Held by Mid-Continent Environmental Project Pte Ltd				
Plant Tech Mid-Continent Industrial Services Pte Ltd [6,7]	Catalyst handling and reactor maintenance; hot-tapping and allied services; and bolt tensioning services	Singapore	27.18	27.18
Held by Mid-Continent Equipment (Australia) Pty Ltd				
Tubular Leasing Australia Pty Ltd [3]	Renting or leasing drill pipes and drilling accessories	Australia	27.72	27.72
Mid-Continent Equipment NZ Limited [3]	Supply of oilfield and mining equipment	New Zealand	54.35	54.35
Held by Citation Exploration Services Pte Ltd				
Citation Drilling Services (Shanghai) Co., Ltd [5]	Provision of drilling services to mining industry	The People's Republic of China	–	27.72
Held by Bridging Resources Ltd				
Songyuan Yongda Oilfields Exploration & Technology Co., Ltd	Development of oilfields and production of crude oil	The People's Republic of China	75.00	75.00

The above subsidiaries are audited by Moore Stephens LLP, Singapore except the following:

1 Not required to be audited under the laws of its country of incorporation and is considered not significant to the Group.
2 Audited by Eddy Prakarsa Permana & Siddharta, Indonesia.
3 Audited by Moore Stephens, Australia.
4 Reviewed by Certified Public Accounting Firm, BKD LLP, USA.
5 Not audited as the subsidiaries were disposed during the year.
6 The entity is considered a subsidiary as the Group has power to govern the financial and operating policies of this entity.
7 Not audited as the subsidiary is dormant.
8 Audited by Deloitte & Touche, Perth, Australia.

15 Investments in Associated Companies

(a) Investments in associated companies held by subsidiaries comprise:

	Group	
	2008	2007
	S$	S$
Unquoted equity shares, at cost	22,350	22,350
Share of post-acquisition profits /(losses):		
Balance at 1 July	56,400	68,425
Profit/(loss) during the year	51,737	(8,738)
Others	(846)	–
Currency realignment	(16,760)	(3,287)
Balance at 30 June	90,531	56,400

	Group	
	2008	2007
	S$	S$
The summarised financial information of associated companies are as follows:		
- Assets	1,140,034	1,785,613
- Liabilities	628,619	1,275,526
- Revenues	2,257,728	3,956,640
- Net profit	51,737	74,633

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

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Cost of Investment		Effective equity interest held by the Group	
		2008	2007	2008	2007
		S$	S$	%	%
Held by Mid-Continent Equipment Group Pte Ltd					
Mohebi – Midcontinent Oilfield Supply Limited Liability Company [1] United Arab Emirates	Trading in oilfield equipment and spare parts	350	350	26.63	26.63
Held by Mid-Continent Environment Project Pte Ltd					
MEP Environmental Services Sdn Bhd [2] Malaysia	Provision of environmental and waste management services	22,000	22,000	27.18	27.18
		22,350	22,350		

1 Audited by Ernst & Young, United Arab Emirates.

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

16 Investments in Joint Venture Entities

The joint venture entities are held by various subsidiaries of the Company. Details of the joint venture entities are as follows:

Name of Company, Country of Incorporation and Place of Business	Principal Activities	Effective equity interest held by the Group	
		2008	2007
		%	%
Mid-Continent Tubular Pte Ltd [1] Singapore	Trading of oilwell tubular products and the provision of related services	27.18	27.18
Plant Tech Mid-Continent (India) Pvt. Ltd. [2] India	Provision of management, training, technical expertise in the field of tank cleaning and crude oil sludge liquid treatment	27.18	27.18

1 Audited by Moore Stephens LLP, Singapore.

2 Audited by Nitin J. Shetty & Co, Chartered Accountant, India.

The subsidiary, Mid-Continent Equipment Group Pte Ltd, has a 50% equity interest in the above joint venture entities. The subsidiary's share of the joint venture entities, assets and liabilities which have been consolidated on a line-by-line basis are as follows:

	Group	
	2008	2007
	S$	S$
Current assets	25,056,331	18,439,999
Non-current assets	2,402,251	855,766
Current liabilities	(15,709,785)	(9,822,610)
Non-current liabilities	(117,643)	(843)
	11,631,154	9,472,312

The Group's share of the profit of the joint venture entities are as follows:

	Group	
	2008	2007
	S$	S$
Revenue	38,409,736	53,741,427
Profit before income tax	3,712,547	2,226,969
Income tax expense	(350,919)	(410,095)
Profit after income tax	3,361,628	1,816,874

17 Goodwill

	Group	
	2008	2007
	S$	S$
		(As Restated)
Cost		
Balance at 1 July	9,747,015	9,338,596
Additional payment made for PT Deefu Chemical Indonesia	–	318,600
Disposal of shares in subsidiaries	–	(220,000)
Fair value adjustments to the purchase consideration payable	124,441	309,819
Discount granted for early payment of purchase consideration	(329,970)	–
Balance at 30 June	9,541,486	9,747,015

The goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU's) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	Group	
	2008	2007
	S$	S$
Mid-Continent Equipment Group Pte Ltd	1,569,703	1,569,703
PT Deefu Chemical Indonesia	7,971,783	8,177,312
	9,541,486	9,747,015

The recoverable amount of a CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and direct costs during the periods. Management estimates discount rates using pre-tax rates that reflect the current market assessment of the time value of money and the risks specific to the CGU's.

Mid-Continent Equipment Group Pte Ltd prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next two years and extrapolates cash flows for the following three years based on an estimated decline of 2% per annum (2007: estimated growth of 5.0% per annum). The rate used to discount the forecast cash flows of the CGU was 5.7% (2007: 2.2%).

PT Deefu Chemical Indonesia has not commenced operations as at 30 June 2008. Therefore, the directors use the same inputs for the variables as the 30 June 2007 in the Modern Asset Pricing Model [Note 38(d)] to compute the estimated value of coal concession rights, a significant asset in this CGU. Accordingly, the directors believe that there is no significant change in the value in use of the CGU as at 30 June 2008.

18 Intangible Assets

	Group			
	Cost		Carrying Value	
	2008	2007	2008	2007
	S$	S$	S$	S$
		(As Restated)		(As Restated)
- 40% (2007: 25%) participating interest for the exploration of an area covered by the Petroleum Exploration License 101 granted under the Petroleum Act 2000 of South Australia	4,430,813	2,396,000	4,634,132	2,503,875
- Coal concession rights granted by the Government of Indonesia for a period of 30 years commencing from the date that mining operations commences, to explore, mine and extract coal from the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	41,922,813	41,922,813	36,497,508	41,922,813
- Oil concession rights granted by China National Petroleum Company Limited for the drilling of oil for Section 20, 35 and 46 oilfields for the remaining life of the concession of 11 years (2007: 12 years)	10,771,638	15,019,854	10,771,638	15,019,854
- Oil concession rights to explore Section 214 oilfield located west of Songyuan City of Jilin Province	–	830,442	–	845,077
- Exploration and evaluation expenditure incurred for the exploration and evaluation of coal of the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	601,703	532,883	532,741	532,883
Currency realignment	(5,290,948)	122,510	–	–
Total	52,436,019	60,824,502	52,436,019	60,824,502

As at 30 June 2008, the Group has not commenced mining operations relating to the coal concession rights.

18 Intangible Assets (cont'd)

Movements in the account are as follows:

	Group	
	2008	2007
	S$	S$
		(As Restated)
Balance at 1 July, as previously reported	60,824,502	44,318,813
Prior year adjustment (Note 40)	–	15,945,736
Balance at 1 July, as restated	60,824,502	60,264,549
Addition to petroleum exploration rights	2,034,813	–
Addition to exploration and development expenditure	68,820	532,883
Oil concession rights attributable to acquisition of a subsidiary	–	1,064,654
Adjustment on the value of the oil concession rights	(1,509,098)	–
Amortisation of the oil concession rights	(1,390,109)	(1,160,094)
Impairment loss of the oil concession rights	(2,176,865)	–
Currency alignment	(5,416,044)	122,510
Balance at 30 June	52,436,019	60,824,502

19 Available-for-Sale Financial Assets

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
Quoted Equity Shares				
Balance at 1 July				
At cost	3,759,517	4,603,922	1,827,044	1,551,001
Fair value gains/(loss) recognised in equity	139,098	(97,244)	(31,419)	80,844
	3,898,615	4,506,678	1,795,625	1,631,845
Additions	4,532,957	5,900,552	80,000	1,921,370
Disposals	(350,206)	(6,734,864)	–	(1,645,327)
Reversal of fair value gains on disposal	(90,279)	(150,477)	–	(80,844)
Fair value gains/(loss) transferred to equity	1,968,999	386,819	(433,750)	(31,419)
Currency realignment	92,171	(10,093)	–	–
Balance at 30 June	10,052,257	3,898,615	1,441,875	1,795,625

20 Inventories

	Group 2008 S$	Group 2007 S$
At cost:		
Finished goods	17,542,245	11,639,878
Goods-in-transit	1,269,708	1,076,211
	18,811,953	12,716,089
At net realisable value:		
Finished goods	1,763,748	1,689,735
Work-in-progress	78,771	102,044
	1,842,519	1,791,779
	20,654,472	14,507,868
Cost of inventories included in cost of sales amounted to:	84,903,592	99,657,788

21 Contracts

	Group		Company	
	2008 S$	2007 S$	2008 S$	2007 S$
Costs	5,505,203	5,335,203	5,505,203	5,335,203
Attributable losses	(199,513)	(199,513)	(199,513)	(199,513)
Less: Progress billings received	(5,305,690)	(5,135,690)	(5,305,690)	(5,135,690)
	–	–	–	–
Recognised and included in the financial statements as amounts due:				
From customers under contracts (included under trade and other receivables)	–	–	–	–
To customers under contracts (included under trade and other payables)	–	–	–	–
	–	–	–	–

22 Trade and Other Receivables

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
Trade receivables	14,851,753	15,287,742	–	94,500
Less: Impairment losses	(134,737)	(21,555)	–	–
	14,717,016	15,266,187	–	94,500
Other receivables	3,799,015	1,834,334	668,247	156,701
Amount due from purchasers of disposed subsidiaries	152,556	335,222	152,556	335,222
Deposits	504,593	895,146	51,667	29,386
Prepayments	297,662	272,139	17,766	734
Interest receivable	282	1,077	282	1,077
Advances to staff	6,432	7,465	–	–
Tax recoverable	352,009	305,762	698,158	500,753
	19,829,565	18,917,332	1,588,676	1,118,373

23 Related Parties Balances

The amounts due from/(to) related parties consist of:

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
Due from:				
- Subsidiaries (non-trade)	–	–	23,907,701	45,927,581
- Minority shareholders of subsidiaries (non-trade)	–	8,160	–	–
- Associated companies				
- trade	21,413	193,245	–	–
- non-trade	72,205	129,530	–	–
- Joint venture entities				
- trade	101,468	4,965	–	–
- non-trade	841,453	78,074	–	–
- Other related parties (trade)	340	27,581	–	–
	1,036,879	441,555	23,907,701	45,927,581
Due to:				
- Associated companies (trade)	–	(23,955)	–	–
- Joint venture entities (trade)	(5,051,818)	(3,888,746)	–	–
- Other related parties				
- trade	(4,990,599)	(1,476,215)	–	–
- non-trade	(26,453)	–	–	–
	(10,068,870)	(5,388,916)	–	–

Trade amounts are due within normal trade credit terms. The non-trade amounts are unsecured, interest-free and repayable on demand based on cash terms.

24 Cash and Cash Equivalents

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
Cash and bank balances	13,282,809	4,569,456	3,018	76,918
Fixed deposits	10,323,122	9,905,171	76,119	1,681,746
	23,605,931	14,474,627	79,137	1,758,664

Fixed deposits bears interest ranging from 0.7% to 7.5% (2007: 0.4% to 6.6%) per annum.

A subsidiary's fixed deposits of S$10,247,003 (2007: S$8,223,425) are pledged as security to certain banks for credit facilities granted to various subsidiaries. The credit facilities of a subsidiary and a joint venture amounted to US$5,200,000 (2007: US$2,500,000). The unutilised portion of the credit facilities as at year end amounted to US$1,977,000 (2007: US$450,000).

The remaining fixed deposits of the Group and the Company of S$76,119 (2007: S$75,072) are pledged to a bank for performance bonds.

In the financial year 2007, the remaining fixed deposits of the Group and the Company of S$1,606,674 are free from encumbrances.

Fixed deposits at the balance sheet date have an average maturity of up to 12 months (2007: 12 months) from the end of the financial year.

25 Trade and Other Payables

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
Trade payables	12,012,969	12,833,414	8,849	137,000
Other payables	736,969	572,644	21,555	56,613
Amount payable in relation to acquisition of a subsidiary	1,937,304	13,302,921	–	–
Accrued operating expenses	1,921,817	884,620	301,261	202,217
Revenue received in advance	744,375	452,700	–	–
	17,353,434	28,046,299	331,665	395,830
Less: Non-current portion of amount payable in relation to acquisition of subsidiary	–	(1,937,304)	–	–
	17,353,434	26,108,995	331,665	395,830

In the financial year 2007, the non-current portion of amount payable relates to the deferred consideration payable for the acquisition of subsidiary Songyuan Yongda Oilfields Exploration & Technology Co., Ltd. The amount payable is stated at fair value and amortised at an effective interest rate of 3.2% per annum. The current portion of amount payable is due within 12 months from balance sheet date.

26 Bank Overdrafts

The effective interest rates of the unsecured bank overdrafts ranged from 5.50% to 6.00% per annum.

27 Short-term Borrowings

	Group	
	2008	2007
	S$	S$
Bank borrowings – (i)	3,266,160	3,140,600
Bank borrowings – (ii)	–	2,112,600
Bank borrowings – (iii)	206,065	209,472
Trust receipts – (i)	–	580,850
	3,472,225	6,043,522

(i) The short-term bank loan and trust receipts of a joint venture entity are denominated in United States Dollar and bear interest ranging from 3.10% to 5.70% (2007: 5.76% to 6.32%) per annum. This loan is secured on a letter of guarantee from a corporate shareholder of a subsidiary and a first fixed charge on its receivables and first floating charge on all its undertaking, property, assets and rights of the joint venture entity.

(ii) The term loan of S$2,112,600 (RMB10,500,000) of a subsidiary is denominated in Chinese Renminbi, bears interest at 5.76% per annum and was fully repaid as at 30 June 2008.

(iii) The short-term loan of S$206,065 (2007: S$209,472) incurred by a joint venture entity is denominated in Indian rupee, bears interest at 0.75% above the bank's prime lending rate, with a minimum of 12.75% per annum compounded monthly, repayable over 60 monthly instalments. The loan is secured by:

- a Standby Letter of Credit from a bank in Singapore;
- a personal guarantee from the directors, guarantee from a corporate shareholder and a hypothecation of machinery of a joint venture entity in India; and
- a first floating charge on all its undertaking, other property, assets and rights of a joint venture entity in Singapore.

28 Finance Lease Obligations

	Minimum payments S$	Interest S$	Present value of payments S$
Group			
2008			
Within 1 year	45,991	(5,169)	40,822
1 year to 5 years	106,448	(14,963)	91,485
	152,439	(20,132)	132,307
2007			
Within 1 year	37,717	(3,113)	34,604
1 year to 5 years	25,119	(2,075)	23,044
	62,836	(5,188)	57,648
Company			
2008			
Within 1 year	23,655	(3,325)	20,330
1 year to 5 years	106,448	(14,963)	91,485
	130,103	(18,288)	111,815
2007			
Within 1 year	–	–	–
1 year to 5 years	–	–	–
	–	–	–

The Group's effective interest rate of the finance lease obligations ranged from 6.0% to 6.6% (2007: 6.0%) per annum.

29 Share Capital

	Group and Company			
	2008		2007	
	No of shares	S$	No of shares	S$
Ordinary shares issued and fully paid:				
Balance at 1 July	1,688,678,060	105,091,816	1,544,456,475	89,991,816
Issuance of 70,000,000 ordinary shares at S$0.163 each via private placement	70,000,000	11,410,000	–	–
Issuance of 144,221,585 ordinary shares at S$0.1047 each as partial satisfaction for the acquisition of shares in a subsidiary	–	–	144,221,585	15,100,000
Balance at 30 June	1,758,678,060	116,501,816	1,688,678,060	105,091,816

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.

30 Reserves

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
		(As Restated)		
Share option reserve (a)	67,798	–	67,798	–
Fair value reserve (b)	197,556	65,380	(465,169)	(31,419)
Translation reserve (c)	(5,026,916)	(396,787)	–	–
Retained earnings	(35,869,399)	(36,003,239)	(40,522,516)	(40,515,768)
	(40,630,961)	(36,334,646)	(40,919,887)	(40,547,187)

Movements in reserves for the Group are set out in the consolidated statement of changes in equity.

(a) Share Option Reserve

The share option reserve relates to the share options granted to employees. Details are set out in Note 39 to the financial statements.

(b) Fair Value Reserve

The fair value reserve records the cumulative fair value change of available-for-sale financial assets until they are derecognised or impaired.

(c) Translation Reserve

The translation reserve is used to record foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from that of the Group's presentation currency.

31 Operating Lease Commitments

The Group leases certain properties under lease agreements that are non-cancellable within a year. These leases contain renewable options and do 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	
	2008	2007
	S$	S$
Within 1 year	285,307	363,488
After 1 year but not more than 5 years	161,004	28,383
	446,311	391,871

32 Contingent Liabilities (unsecured)

Contingent liabilities not provided for in the financial statements:

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
Letters of credit	182,328	490,168	–	–
Product warranty	101,500	135,200	101,500	135,200
Performance bonds indemnity	1,477,568	2,597,850	1,477,568	2,597,850
Bankers' guarantee	885,524	4,223,648	292,858	292,858
	2,646,920	7,446,866	1,871,926	3,025,908

33 Commitments

	Group	
	2008	2007
	S$	S$
Capital expenditure not provided for in the financial statements for commitments in respect of contracts placed	278,877	18,000

34 Subsequent Events

(a) In July 2007, a subsidiary in the People's Republic of China ("Plaintiff") filed a suit in Jilin Provincial High Court ("High Court") against a bank ("Defendant") for the sale of an invalid oil concession right to explore Section 214 oilfield located west of Songyuan City in Jilin Province ("Oil Concession Right"). Prior to the suit, the Plaintiff ceased the repayment of the outstanding loan principal of RMB 10.5 million due to the Defendant, on the basis that the loan was granted to the Plaintiff for the purpose of acquiring the said Oil Concession Right and financing the exploration activities in the oilfield ("Financing Activities").

The suit was heard in the High Court on 6 August 2007. Then, the Defendant refuted the claim. To date, the suit is still pending the High Court's decision. However, the parties were informally requested to resolve the disputes through out-of-court mediation.

In the event that a satisfactory resolution could not be reached during the mediation, the parties shall proceed with court proceedings. If the Plaintiff wins the suit, the transfer of the Oil Concession Right to the Plaintiff by the Defendant shall be invalidated, the loan granted by the Defendant for the purpose of the Financing Activities shall be withdrawn, and the Defendant shall pay all costs and expenses arising from the invalid Oil Concession Right that may be awarded by the High Court. If the Plaintiff loses the suit, the Plaintiff shall be allowed to proceed with exploration activities in the oilfield located west of Songyuan City in Jilin Province.

In view of the uncertainty over the time required to resolve the disputes, the subsidiary has made a provision for impairment of the Oil Concession Right of RMB 2,781,432 (S$548,220) in the financial statements as at 30 June 2008.

Separately, on 10 August 2007, the Defendant filed a suit in Songyuan City Court ("City Court") against the Plaintiff for default in repayment of the outstanding loan principal of RMB 10.50 million due to the Defendant and the interest thereon. On 24 October 2007, the City Court ruled in favour of the Defendant with costs and damages of approximately RMB 1.5 million.

34 Subsequent Events (cont'd)

(b) On 10 July 2008, a wholly-owned subsidiary of the Company, APAC Coal Limited ("APAC") was listed on the Official List of Australian Stock Exchange Limited with a minimum subscription level of A$7 million. The proceeds raised from the initial public offering will be used predominantly to fund the development of APAC's coal assets in Indonesia and to provide it with working capital. Following the listing of APAC, APAC will acquire from another wholly-owned subsidiary of the Company, Antig Investments Pte. Ltd. and a minority shareholder, the entire issued share capital of PT Deefu Chemical Indonesia ("PT Deefu"), which will simultaneously acquire the 5% minority interest in PT Batubara Selaras Sapta ("PT BSS") at an aggregate consideration of A$40 million to be satisfied by the issue of 200 million new ordinary shares in APAC at A$0.20 each. APAC, PT Deefu and PT BSS, will form the new APAC Group. Subsequently, the Group's equity interest in APAC Group would be diluted to approximately 56.87%.

(c) On 23 May 2008, a wholly-owned subsidiary of the Company, Antig Investments Pte. Ltd. ("Antig") received a writ of summons from the vendors of PT Deefu Chemical Indonesia ("PT Deefu"), which Antig acquired an equity stake of 72% in June 2006. In the writ of summons, the vendors of PT Deefu alleged that Antig was not entitled to make the final payment of the purchase consideration to a party authorised by the vendors to receive it. Hence, the vendors sought an injunction to restrain Antig from paying this final sum to this party, and unspecified damages against Antig. The lawyers acting for Antig were of the opinion that the vendors' claim was without merit. Thus, Antig filed an application to stay the claim in favour of arbitration proceedings, which was rejected by the court on 13 August 2008. A notice of appeal against the court decision was filed on 25 August 2008. The appeal hearing has been fixed on 13 October 2008.

(d) On 6 August 2008, the Company acquired the entire share capital of MEG Management Sdn. Bhd. ("Meg") for a total consideration of RM$2.00, making Meg a wholly-owned subsidiary of the Company. The acquisition of Meg will enable the Company to streamline its cost structure for the purpose of human resources management.

35 Related Party Transactions

The Company and the Group had the following significant related party transactions during the financial year and the effect of these transactions on the basis determined between the parties are reflected in the financial statements:

	Group	
	2008	2007
	S$	S$
Associated companies:		
- Sales	92,076	120,170
- Purchases	–	11,995
- Other services received	42,816	57,911

35 Related Party Transactions (cont'd)

	Group	
	2008	2007
	S$	S$
Joint venture entities:		
- Sales	43,451	149,174
- Purchases	17,709,450	19,858,291
- Service fee received	443,895	446,409
- Other services received	–	126,779
Other related parties	18,088,428	8,358,502

Other related parties refer to enterprises in which the directors and/or shareholders of the Company, its subsidiaries, associated companies and joint venture entities have significant influence over the financial and operating decisions of the enterprises.

Outstanding balances with related parties at the balance sheet date are disclosed in Note 23 to the financial statements.

Key Management Personnel Remuneration

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
Wages, salaries and bonuses	1,837,808	1,754,027	929,812	787,796
Pension fund contributions	67,251	55,268	32,265	36,866
Share-based payments	46,264	–	31,898	–
	1,951,323	1,809,295	993,975	824,662

36 Segment Information

Segment accounting policies are the same as the policies of the Group as described in Note 2 to the financial statements. 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 the following main operating segments, namely:

- Electrical engineering
- Oilfield equipment supply and services
- Crude oil production
- Others

	Electrical engineering	Oilfield equipment supply and services	Crude oil production	Others	Eliminations	Total Operations
	S$	S$	S$	S$	S$	S$
2008						
Revenue & Results						
External revenue	–	106,503,501	11,347,124	–	–	117,850,625
Profit/(loss) from operations	–	11,779,398	(2,156,731)	(2,931,682)	–	6,690,985
Finance costs						(524,475)
Finance income						550,539
Share of results of associated companies						50,891
Unallocated revenue						426,525
Income tax expense						(1,245,930)
Minority interests						(5,814,695)
Profit attributable to shareholders						133,840
Other Information						
Assets	–	63,616,584	22,022,788	23,571,948	–	109,211,320
Intangible assets	–	4,634,132	10,771,638	37,030,249	–	52,436,019
Consolidated assets						161,647,339
Liabilities	–	(24,728,077)	(3,872,791)	(5,071,480)	–	(33,672,348)
Unallocated liabilities						(13,422,875)
Consolidated liabilities						(47,095,223)
Capital expenditure	–	1,449,565	361,594	216,099	–	2,027,258
Depreciation and amortisation	–	1,215,668	3,120,571	109,202	–	4,445,441
Other non-cash items	–	(1,815,770)	2,330,439	1,222,868	–	1,737,537

36 Segment Information (cont'd)

(a) Business Segments (cont'd)

	Electrical engineering S$	Oilfield equipment supply and services S$	Crude oil production S$	Others S$	Eliminations S$	Total Operations S$
2007 (As Restated)						
Revenue & Results						
External revenue	1,280,984	117,478,959	9,664,669	–	–	128,424,612
(Loss)/profit from operations	(1,364,783)	8,083,976	702,180	(593,199)	–	6,828,174
Finance costs						(638,966)
Finance income						446,739
Share of results of associated companies						(8,738)
Unallocated corporate expenses						(2,168,822)
Income tax expense						(1,732,844)
Minority interests						(2,695,388)
Profit attributable to shareholders						30,155
Other Information						
Assets	4,935,414	50,641,281	24,045,142	9,600,833	–	89,222,670
Intangible assets	–	2,503,875	15,864,931	42,455,696	–	60,824,502
Consolidated assets						150,047,172
Liabilities	(419,786)	(18,851,159)	(6,860,179)	(13,405,261)	–	(39,536,385)
Unallocated liabilities						(13,700,087)
Consolidated liabilities						(53,236,472)
Capital expenditure	337,629	1,283,155	3,966,347	40,329	–	5,627,460
Depreciation and amortisation	55,951	1,571,141	2,508,506	2,940	–	4,138,538
Other non-cash items	(28,961)	1,095,323	113,972	(47,078)	–	1,133,256

36 Segment Information (cont'd)

(b) Geographical Segments

	Singapore S$	Australia S$	Malaysia S$	Indonesia S$	China S$	Others S$	Total S$
2008							
Revenue	32,826,160	42,152,524	2,988,516	5,522,034	11,548,283	22,813,108	117,850,625
Total Assets	50,522,121	31,035,258	–	45,257,465	32,953,226	1,879,269	161,647,339
Capital Expenditure	319,590	1,123,062	–	19,005	361,594	204,007	2,027,258
2007 (As Restated)							
Revenue	41,345,296	42,239,631	2,521,714	5,699,023	11,617,863	25,001,085	128,424,612
Total Assets	43,485,740	13,584,989	–	51,043,463	40,831,740	1,101,240	150,047,172
Capital Expenditure	450,506	409,948	–	40,329	4,571,286	155,391	5,627,460

Revenue 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.

37 Financial Instruments

Financial risk factors

The Group's activities expose it to a variety of market risks (including currency risk, price risk and interest rate risk), credit risk, liquidity risk and capital risk. The Board of Directors of the Company provides guidelines for overall risk management. Management of the Group reviews and agrees on policies for managing the various financial risks.

(a) Market risk

(i) Currency risk

The 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.

Certain of the Group's transactions are denominated in foreign currencies. As a result, the Group is exposed to movements in foreign currency exchange rates.

The Group does not use derivative financial instruments to protect against the volatility associated with foreign currency transactions as the Directors believe that the risks arising from fluctuations in foreign currency exchange rates are not significant, primarily with respect to the United States Dollar, Australian Dollar and Chinese Renminbi.

The Group monitors the fluctuation in exchange rates closely to ensure that the exposure to the risk is kept at minimal level.

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Group's currency exposure based on information provided to key management is as follows:

	United States Dollar S$	Chinese Renminbi S$	Australian Dollar S$	Others S$	Total S$
Group					
2008					
Financial assets:					
Available-for-sale financial assets	–	–	6,146,007	–	6,146,007
Trade and other receivables	13,197,902	2,386,694	939,677	546,679	17,070,952
Related parties balances	690,465	–	–	24,572	715,037
Cash and cash equivalents	4,054,231	357,350	13,811,506	311,431	18,534,518
	17,942,598	2,744,044	20,897,190	882,682	42,466,514
Financial liabilities:					
Trade and other payables	(7,952,576)	(3,872,792)	(1,874,737)	(122,034)	(13,822,139)
Bank overdrafts	(1,119,268)	–	–	–	(1,119,268)
Related parties balances	(10,068,854)	–	–	–	(10,068,854)
Short-term borrowings	(3,266,160)	–	–	(206,065)	(3,472,225)
	(22,406,858)	(3,872,792)	(1,874,737)	(328,099)	(28,482,486)
Currency exposure	(4,464,260)	(1,128,748)	19,022,453	554,583	13,984,028
2007 (As Restated)					
Financial assets:					
Available-for-sale financial assets	–	–	1,768,590	–	1,768,590
Trade and other receivables	10,990,019	2,009,173	4,409,998	705,919	18,115,109
Related parties balances	436,591	–	–	–	436,591
Cash and cash equivalents	5,719,154	424,042	3,368,488	377,020	9,888,704
	17,145,764	2,433,215	9,547,076	1,082,939	30,208,994
Financial liabilities:					
Trade and other payables	(18,579,898)	(4,747,579)	(818,500)	(47,191)	(24,193,168)
Related parties balances	(5,388,916)	–	–	–	(5,388,916)
Short-term borrowings	(3,721,450)	(2,112,600)	–	(209,472)	(6,043,522)
	(27,690,264)	(6,860,179)	(818,500)	(256,663)	(35,625,606)
Currency exposure	(10,544,500)	(4,426,964)	8,728,576	826,276	(5,416,612)

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

The Company's currency exposure based on the information provided to management is as follows:

	United States Dollar S$	Australian Dollar S$	Others S$	Total S$
Company				
2008				
Financial assets:				
Trade and other receivables	–	–	152,555	152,555
Related parties balances	424,390	33,441	–	457,831
	424,390	33,441	152,555	610,386
Currency exposure	424,390	33,441	152,555	610,386
2007				
Financial assets:				
Trade and other receivables	–	–	335,222	335,222
Related parties balances	441,484	56,484	–	497,968
	441,484	56,484	335,222	833,190
Currency exposure	441,484	56,484	335,222	833,190

If the United States Dollar, Chinese Renminbi and Australian Dollar strengthen/weaken against the Singapore Dollar by the following percentages:

	2008 %	2007 %
United States Dollar	6	6
Chinese Renminbi	4	4
Australian Dollar	5	5

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(i) Currency risk (cont'd)

with all other variables including tax rate being held constant, the effects arising from the net financial (liability)/asset position will be as follows:

	2008		2007	
	Increase/(Decrease)			
	Profit after income tax	Equity	Profit after income tax	Equity
	S$	S$	S$	S$
Group				
United States Dollar against Singapore Dollar				
- strengthened	(268,000)	–	(633,000)	–
- weakened	268,000	–	633,000	–
Chinese Renminbi against Singapore Dollar				
- strengthened	(45,000)	–	(177,000)	–
- weakened	45,000	–	177,000	–
Australian Dollar against Singapore Dollar				
- strengthened	644,000	307,000	348,000	88,000
- weakened	(644,000)	(307,000)	(348,000)	(88,000)
Company				
United States Dollar against Singapore Dollar				
- strengthened	25,000	–	26,000	–
- weakened	(25,000)	–	(26,000)	–
Australian Dollar against Singapore Dollar				
- strengthened	1,700	–	3,000	–
- weakened	(1,700)	–	(3,000)	–

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(ii) Price risk

The Group is exposed to equity securities market risk from its investments which are classified in the consolidated balance sheet as available-for-sale financial assets. Certain of the available-for-sale financial assets are quoted equity instruments in Singapore and Australia.

If prices for equity securities listed in the following countries increase/decrease by the following percentage:

	2008 %	2007 %
Singapore	9*	4*
Australia	40*	215*

* *Based on actual price movements of the shares*

with all other variables including tax rate being held constant, the profit after tax and equity will increase/decrease by:

	2008 Equity S$	2007 Equity S$
Group		
Listed in Singapore:		
- increased by	329,000	64,000
- decreased by	(329,000)	(64,000)
Listed in Australia:		
- increased by	2,435,000	3,884,000
- decreased by	(2,435,000)	(1,807,000)
Company		
Listed in Singapore:		
- increased by	131,000	64,000
- decreased by	(131,000)	(64,000)

(iii) Cash flow and fair value interest rate risks

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.

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks (cont'd)

The Group's borrowings at fixed rates are denominated mainly in United States Dollar. If the United States Dollar's interest rates increase/decrease by 10.0% (2007: 0.3%) with all other variables including tax rate being held constant, the profit after tax will be lower/higher by S$327,000 (2007: S$30,000) as a result of higher/lower interest expense on these borrowings.

The tables below set out the Group's and the Company's exposures to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing or maturity dates.

	Fixed Rates		Variable Rates		Non-interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years		
	S$	S$	S$	S$	S$	S$
Group						
2008						
Assets						
Available-for-sale financial assets	–	–	–	–	10,052,257	10,052,257
Trade and other receivables	–	–	–	–	19,815,335	19,815,335
Related parties balances	–	–	–	–	1,036,879	1,036,879
Cash and cash equivalents	4,707,069	5,616,053	–	–	13,282,809	23,605,931
Non-financial assets	–	–	–	–	107,136,937	107,136,937
Total assets	4,707,069	5,616,053	–	–	151,324,217	161,647,339

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks (cont'd)

	Fixed Rates		Variable Rates		Non–interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years		
	S$	S$	S$	S$	S$	S$
Group						
2008						
Liabilities						
Trade and other payables	–	–	–	–	(17,353,434)	(17,353,434)
Bank overdrafts	(2,645,512)	–	–	–	–	(2,645,512)
Related parties balances	–	–	–	–	(10,068,870)	(10,068,870)
Short-term borrowings	(3,266,160)	(206,065)	–	–	–	(3,472,225)
Finance lease obligations	(40,822)	(91,485)	–	–	–	(132,307)
Non-financial liabilities	–	–	–	–	(13,422,875)	(13,422,875)
Total liabilities	(5,952,494)	(297,550)	–	–	(40,845,179)	(47,095,223)
2007 (As Restated)						
Assets						
Available-for-sale financial assets	–	–	–	–	3,898,615	3,898,615
Trade and other receivables	–	–	–	–	18,852,977	18,852,977
Related parties balances	–	–	–	–	441,555	441,555
Cash and cash equivalents	9,905,171	–	–	–	4,569,456	14,474,627
Non-financial assets	–	–	–	–	112,379,398	112,379,398
Total assets	9,905,171	–	–	–	140,142,001	150,047,172
Liabilities						
Trade and other payables	–	–	–	–	(28,046,299)	(28,046,299)
Related parties balances	–	–	–	–	(5,388,916)	(5,388,916)
Short-term borrowings	(5,253,200)	(209,472)	(580,850)	–	–	(6,043,522)
Finance lease obligations	(34,604)	(23,044)	–	–	–	(57,648)
Non-financial liabilities	–	–	–	–	(13,700,087)	(13,700,087)
	(5,287,804)	(232,516)	(580,850)	–	(47,135,302)	(53,236,472)

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks (cont'd)

	Fixed Rates		Variable Rates		Non–interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years		
	S$	S$	S$	S$	S$	S$
Company						
2008						
Assets						
Available-for-sale financial assets	–	–	–	–	1,441,875	1,441,875
Trade and other receivables	–	–	–	–	1,588,676	1,588,676
Related parties balances	–	–	–	–	23,907,701	23,907,701
Cash and cash equivalents	76,119	–	–	–	3,018	79,137
Non-financial assets	–	–	–	–	50,567,063	50,567,063
Total assets	76,119	–	–	–	77,508,333	77,584,452
Liabilities						
Trade and other payables	–	–	–	–	(331,665)	(331,665)
Bank overdrafts	(1,526,243)	–	–	–	–	(1,526,243)
Finance lease obligations	(20,330)	(32,800)	–	–	–	(53,130)
Non-financial liabilities	–	–	–	–	(91,485)	(91,485)
Total liabilities	(1,546,573)	(32,800)	–	–	(423,150)	(2,002,523)

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(a) Market risk (cont'd)

(iii) Cash flow and fair value interest rate risks (cont'd)

	Fixed Rates		Variable Rates		Non–interest bearing	Total
	Less than 1 year	1 to 5 years	Less than 1 year	1 to 5 years		
	S$	S$	S$	S$	S$	S$
Company						
2007						
Assets						
Cash and cash equivalents	1,681,746	–	–	–	76,918	1,758,664
Trade and other receivables	–	–	–	–	1,118,373	1,118,373
Related parties balances	–	–	–	–	45,927,581	45,927,581
Available-for-sale financial assets	–	–	–	–	1,795,625	1,795,625
Non-financial assets	–	–	–	–	14,373,016	14,373,016
Total assets	1,681,746	–	–	–	63,291,513	64,973,259
Liabilities						
Trade and other payables	–	–	–	–	(395,830)	(395,830)
Non-financial liabilities	–	–	–	–	(32,800)	(32,800)
	–	–	–	–	(428,630)	(428,630)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group.

For trade receivables, the Group adopts the policy of dealing with customers of good financial standing and good credit rating based on professional credit reports and obtaining sufficient security where appropriate to mitigate credit risk.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet.

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

The Group's and Company's major classes of financial assets are cash and cash equivalents and trade receivables.

(i) Financial assets that are neither past due nor impaired

Cash and cash equivalents that are neither past due nor impaired are mainly cash with banks with high credit ratings assigned by international credit rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables and due from related parties.

The table below is an analysis of trade receivables as at the balance sheet date:

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
Not past due and not impaired	8,548,638	8,579,090	–	94,500
Past due but not impaired(1)	6,168,378	6,687,097	–	–
	14,717,016	15,266,187	–	94,500
Impaired trade receivables - individually assessed(2),(3)	134,737	21,555	–	–
Less: Allowance for impairment	(134,737)	(21,555)	–	–
	–	–	–	–
Trade receivables, net	14,717,016	15,266,187	–	94,500

(1) Aging of trade receivables that are past due but not impaired

Past due:				
- Not more than three months	4,496,243	4,682,495	–	–
- Three to six months	805,457	960,241	–	–
- Over six months	866,678	1,044,361	–	–
	6,168,378	6,687,097	–	–

These past due but not impaired pertains to regular customers of the Group.

(2) These amounts are stated before any allowances for impairment.

(3) These receivables are not secured by any collateral or credit enhancement.

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(b) Credit risk (cont'd)

(ii) Financial assets that are past due and/or impaired (cont'd)

The movement in the allowance for impairment of trade receivables is as follows:

	Group	
	2008	**2007**
	S$	**S$**
Beginning of financial year	21,555	149,100
Currency translation differences	(7,060)	–
Allowances made	141,301	–
Allowances utilised	(14,295)	(127,545)
Allowances written back	(6,764)	–
End of financial year	134,737	21,555

(c) Liquidity risk

The Group and the Company manage the liquidity risk by maintaining sufficient cash and cash equivalents and available-for-sale financial assets and the availability of funding through an adequate amount of committed credit facilities.

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows.

	Less than one year	**Between one and five years**
	S$	**S$**
Group		
2008		
Trade and other payables	17,353,434	–
Bank overdrafts	2,645,512	–
Related parties balances	10,068,870	–
Short-term borrowings	3,472,225	–
Finance lease obligations	45,991	106,448
	33,586,032	106,448
2007		
Trade and other payables	26,108,995	1,937,304
Related parties balances	5,388,916	–
Short-term borrowings	6,043,522	–
Finance lease obligations	37,717	25,119
	37,579,150	1,962,423

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(c) Liquidity risk (cont'd)

	Less than one year S$	Between one and five years S$
Company		
2008		
Trade and other payables	331,665	–
Bank overdrafts	1,526,243	–
Finance lease obligations	23,655	106,448
	1,881,563	106,448
2007		
Trade and other payables	395,830	–

As at the balance sheet date, the Group had at its disposal cash and cash equivalents amounting to approximately S$23.6 million (2007: S$14.5 million). In addition, the Group has available short term facilities of approximately S$3.5 million (2007: S$6.0 million).

(d) Capital risk

The Group's objectives when managing capital are:

(i) To safeguard the Group's ability to continue as a going concern; and

(ii) To support the Group's stability and growth.

The Group actively and regularly reviews and manages its capital structure to maintain an optimal capital structure so as to maximise shareholder value, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. The Group currently does not adopt any formal dividend policy.

The Group monitors capital based on a gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less cash and cash equivalents. Total capital comprises all components of total equity and net debt.

37 Financial Instruments (cont'd)

Financial risk factors (cont'd)

(d) Capital risk (cont'd)

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
		(As Restated)		
Net debt	23,489,292	38,761,844	1,932,386	–
Total equity	114,552,116	96,810,700	75,581,929	–
Total capital	138,041,408	135,572,544	77,514,315	–
Gearing ratio	17%	29%	2%	–

(e) 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.

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables, bank overdrafts, short-term borrowings and related parties balances approximate their fair values due to the relatively short-term maturity of these financial instruments.

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.

38 Critical Accounting Estimates and Judgements

The preparation of financial statements in conformity with FRS requires management to exercise judgement in the process of applying the Group's accounting policies. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the amounts of assets within the next financial year are discussed below:

(a) Impairment of Property, Plant and Equipment and Investments in Subsidiaries

The Group assesses impairment of the above-mentioned assets whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the asset is estimated to determine the impairment loss. In making this judgement, the Group evaluates the value in use which is supported by the net present value of future cash flows derived from such assets using cash flow projections which have been discounted at an appropriate rate.

38 Critical Accounting Estimates and Judgements (cont'd)

(a) Impairment of Property, Plant and Equipment and Investments in Subsidiaries (cont'd)

No impairment loss of the Group's property, plant and equipment and the Company's investments in subsidiaries has been recognised for the financial year ended 30 June 2008. The carrying amount of the Group's property, plant and equipment as at 30 June 2008 was S$24,202,685 (2007: S$27,106,265). The carrying amount of the Company's investments in subsidiaries as at 30 June 2008 was S$50,348,950 (2007: S$14,086,160).

(b) Impairment of Available-for-Sale Financial Assets

The Group follows the guidance of FRS 39 (revised) in determining when an investment is other-than-temporary impaired. This determination requires significant judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its carrying amount; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flows.

No impairment loss of the available-for-sale financial assets has been recognised for the financial year ended 30 June 2008. The carrying amount of the Group's available-for-sale financial assets as at 30 June 2008 was S$10,052,257 (2007: S$3,898,615).

(c) Valuation of Petroleum Exploration Rights

The petroleum exploration rights represent the Group's contribution to the 40% (2007: 25%) participating interest in the PEL101 granted under the Petroleum Act 2000 of South Australia. In determining the appropriateness of capitalisation of the intangible asset, the directors have considered the degree to which it can be associated with finding specific economically recoverable mineral resources. As at balance sheet date, the directors are progressively appraising the gas potential in PEL101 to justify building pipelines and associated plant to develop a standalone operation. Therefore, the directors do not consider the intangible asset to be impaired as at year end. The carrying amount of the Group's petroleum exploration rights as at 30 June 2008 was S$4,634,132 (2007: S$2,503,875).

(d) Valuation of Coal Concession Rights

The directors of the Group valued the coal concession rights (Note 18) using the Modern Asset Pricing Model which took into account, *inter alia*, available coal reserves at the site of the concession, estimated cost of developing the site, time to expiration of the concession, variance in the value of coal reserves and cost of delay in operating the concession. As at 30 June 2008, the Group has not commenced mining operations. Therefore, the same inputs for the variables as the 30 June 2007 model were used to compute the estimated value of coal concession rights as follows:

- a value of 10 million tons of mineral reserves from the entire concession
- a low current price of US$25 per ton
- a marginal cost extraction of US$16 per ton
- additional capital investment of US$19.2 million

The directors are of the opinion that this model is generally used in the mining industry and captures the additional value of flexibility in the face of future uncertain events.

No impairment loss on the Group's coal concession rights has been recognised for the financial year ended 30 June 2008. The carrying amount of the Group's coal concession rights as at 30 June 2008 was S$36,497,508 (2007: S$41,922,813).

38 Critical Accounting Estimates and Judgements (cont'd)

(e) Valuation of Oil Concession Rights

(i) The Group determines whether the oil concession rights relating to the subsidiary Songyuan Yongda Oilfields Exploration & Technology Co., Ltd is impaired at least on an annual basis. Based on the most recent financial budget approved by management for the ensuing financial year, the Group prepares cash flow forecasts by extrapolating cash flows for the next 11 years, being the remaining life of the oil concession rights, using an annual depletion rate of 6.2% (2007 : 13.3%). This rate is determined on the assumptions that crude oil were extracted from existing producing exploration wells and there were no further capital expenditure to be incurred from the ensuing financial year. The rate used to discount the forecast cash flows of the CGU was 7.8% (2007: 2.2%). Impairment relating to this oil concession rights amounting to S$1,628,645 (2007:S$Nil) has been recognised for the financial year ended 30 June 2008.

(ii) The Group also determines whether the oil concession rights to explore Section 214 oilfield located west of Songyuan City of Jilin Province is impaired. The oil concession right is under a lawsuit as discussed in Note 34 (a). In view of the uncertainty over the time required to resolve the disputes, the Group has made a provision for impairment of the oil concession right of S$548,220 in the financial statements as at 30 June 2008.

The carrying amount of the Group's oil concession rights as at 30 June 2008 was S$10,771,638 (2007: S$15,019,854).

(f) Valuation of Exploration and Development Expenditure for Coal Mining Activities

The exploration and development expenditure for coal mining activities are costs incurred in activities in relation to evaluating the technical feasibility and commercial viability of extracting coal in Kabupaten Pasir, East Kalimantan, Indonesia. In determining the appropriateness of capitalisation of the intangible asset, the directors have considered the degree to which it can be associated with finding specific mineral resources. As at balance sheet date, the directors considered the exploration activities are at their initial stages and have not reached a stage which permits a reasonable assessment of the existence of economically recoverable mineral resources and that substantially more evaluative work will be required. The carrying amount of the Group's exploration and development expenditure for coal mining activities as at 30 June 2008 was S$532,741 (2007: S$532,883).

(g) Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate present value of those cash flows. The carrying amount of the Group's goodwill as at 30 June 2008 was S$9,541,486 (2007: S$9,747,015). Details are given in Note 17 to the financial statements.

(h) Income Taxes

The Group is subject to income taxes in various jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

39 Share Options

(a) Magnus Energy Employee Share Option Plan and Magnus Energy Performance Share Plan

Magnus Energy Employee Share Option Plan ("Magnus Energy ESOP") and Magnus Energy Performance Share Plan ("Magnus Energy PSP") (collectively referred to as the "Share Schemes") were approved by the shareholders at the Extraordinary General Meeting of the Company held on 19 November 2007.

The Remuneration Committee of the Company (the "RC") has been designated as the committee responsible for the administration of the Share Schemes. The members of the RC are Idris Bin Abdullah @ Das Murthy, Chin Kok Sang and Goh Boon Kok.

Under the Share Schemes, share options or awards are granted to the following persons at the absolute discretion of the RC:

(i) Group Executives who have attained the age of twenty-one (21) years and hold such rank as may be designated by the Committee from time to time; and

(ii) Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group.

The Share Schemes are designed to reward and retain the Group Executives and Non-Executive Directors whose services are vital to the well-being and success of the Group. Under the Magnus Energy ESOP, the share options are granted to eligible participants exercisable during a certain period and at a certain price. Under the Magnus Energy PSP, share awards are granted to eligible participants. Share awards represent the right of a participant to receive fully paid ordinary shares in the capital of the Company ("Shares"), their equivalent cash value or combinations thereof, free of charge, provided that certain prescribed performance targets (if any) are met and upon expiry of the prescribed vesting periods.

For discounted share options, the exercise price of each granted share option is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount shall not exceed twenty (20) per cent. of the Market Price. This Market Price is the weighted average price of the Shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three consecutive trading days immediately preceding the date of grant of that option, as determined by the RC by reference to the daily official list or any other publication published by the SGX-ST.

For non-discounted share options, the exercise price of each granted share option is set at Market Price or such higher price as may be determined by the RC in its absolute discretion.

The non-discounted share options were first granted on 4 December 2007 and accepted on 3 January 2008. The accepted non-discounted share options will be exercisable within 4 years on or after the first, second and third anniversary of date of the grant in the proportion of 35%, 35% and 30% respectively.

(b) APAC Coal Employee Share Option Plan

A subsidiary of the Group, APAC Coal Limited ("APAC") adopted APAC Coal Employee Share Option Plan ("APAC ESOP") in October 2007. In accordance with the provisions of the APAC ESOP, employees, directors and consultants may be granted options at the discretion of the directors.

The purpose of the APAC ESOP is to retain and attract skilled and experienced employees, directors and consultants and provide them with the motivation to make APAC more successful. Each APAC ESOP converts into one ordinary share of APAC on exercise. No amounts are paid or payable by the recipient on receipt of the options. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The number of options granted is at the sole discretion of the directors subject to the total number of outstanding options being issued under the APAC ESOP not exceeding 5% of APAC's issued capital at any one time.

39 Share Options (cont'd)

(b) APAC Coal Employee Share Option Plan (cont'd)

The exercise price is calculated with reference to a formula contained within the rules governing the APAC ESOP and which rewards employees against the extent of the Company's performance on the capital markets. Where appropriate the directors have established appropriate vesting conditions to incentivise employees to remain in the employ of APAC.

(c) Fair value of Share Options

The fair value of the share options granted under Magnus Energy ESOP and APAC ESOP is estimated at the grant date using a Black Scholes pricing model, taking into account the terms and conditions upon which the instruments were granted.

The expected volatility is based on the movement of the underlying share price around its average share price over the expected term of the option. The directors of the Company and APAC have determined the expected period of exercise to be similar to the option life.

The following tables list the inputs to the Black Scholes pricing model for the financial year ended 30 June 2008:

	Magnus Energy ESOP		
	3.12.2009	**3.12.2010**	**3.12.2011**
Grant date share price (cents)	10	10	10
Expected volatility (%)	46.77	62.54	46.77
Exercise price (cents)	10.11	10.11	10.11
Option life (years)	1	2	3
Dividend yield	–	–	–
Risk-free interest rate (%)	2.35	2.35	2.35

	APAC ESOP	
	30.10.2010	**10.7.2011**
Grant date share price (cents)	5	20
Expected volatility (%)	25	25
Exercise price (cents)	50	50
Option life (years)	3	3
Dividend yield	–	–
Risk-free interest rate (%)	6.50	6.80

39 Share Options (cont'd)

(d) Share Options in existence during the year

Details of unissued ordinary shares of the Group and the Company under non-discounted share options granted to eligible persons of the Company and subsidiaries, were as follows:

	Group		Company	
	2008	2007	2008	2007
	S$	S$	S$	S$
Balance at 1 July	–	–	–	–
Granted and accepted during the year	22,993,635	–	16,515,000	–
Lapsed during the year	(9,365,000)	–	(9,365,000)	–
Balance at 30 June	13,628,635	–	7,150,000	–

During the financial year, 9,365,000 share options have lapsed due to the resignation of directors of the Company.

The Group recognised a total expense of S$82,082 arising from share options granted and accepted during the year while the Company recognised an expense of S$67,798 arising from non-discounted share options granted and accepted during the year.

As at 30 June 2008, the Group and Company did not grant any share awards.

40 Comparatives

(a) Certain comparative figures have been reclassified to conform with the current year's presentation as follows:

(i) Reclassification of foreign exchange gain (net) and various expenses from other operating expenses to other operating income and administrative expenses.

(ii) Reclassification of impairment provision on amount due from associated companies from trade and other receivables.

(iii) Reclassification of oil concession right from property, plant and equipment to intangible assets.

(b) The prior year adjustment relates to a reclassification of goodwill on consolidation to intangible assets, as it effectively represents the fair value oil concession rights of subsidiary Songyuan Yongda Oilfields Exploration & Technology Co., Ltd when the Group acquired the subsidiary in September 2006.

40 Comparatives (cont'd)

(c) Accordingly, the following financial statement line items for the year ended 30 June 2007 have been reclassed/restated:

	Before Reclassification/ Restatement S$	After Reclassification/ Restatement S$	Effect S$
Consolidated Income Statement			
- Cost of sales [b]	(108,696,476)	(108,462,264)	234,212
- Other operating income [a(i)]	1,744,590	2,413,226	668,636
- Administrative expenses [a(i)], [b]	(12,882,060)	(14,566,441)	(1,684,381)
- Other operating expenses [a(i)]	(1,333,682)	(1,478,031)	(144,349)
Balance Sheets			
- Property, plant and equipment [a(iii)]	27,951,342	27,403,122	(548,220)
- Goodwill [b]	25,692,751	9,747,015	(15,945,736)
- Intangible assets [a(iii)], [b]	44,959,571	60,527,645	15,568,074
- Trade and other receivables [a(ii)]	18,457,731	18,917,332	459,601
- Related parties balances [a(ii)]	901,156	441,555	(459,601)
- Retained earnings, 1 July 2007 [b]	(35,077,357)	(36,003,239)	925,882

41 Authorisation of Financial Statements

The financial statements for the year ended 30 June 2008 were authorised for issue in accordance with a resolution of the directors on date of the Statement by Directors.

ADDITIONAL REQUIREMENTS OF SINGAPORE EXCHANGE SECURITIES TRADING LIMITED'S LISTING MANUAL

for the financial year ended 30 June 2008

1. Auditors' remuneration

The following information relates to remuneration of the auditors during the financial year:

	Group	
	2008	**2007**
	S$	**S$**
Other fees paid/payable to		
- Other auditors*	87,258	14,092

* Include internal auditors, Messrs Horwath First Trust

2. Properties of the Group

Major properties held for investment

Location	Description	Existing Use	Tenure	Unexpired term of lease
Australia				
130 Mills Street Welshpool Western Australia	Warehouse	Commercial	Freehold	–
9 Barfield Crescent Elizabeth West, Adelaide South Australia	A single storey industrial building	Commercial	Freehold	–
Unit 8, 47 Musgrove Road Coopers Plains Queensland 4108 Australia	Terrace unit with office and warehouse building	Commercial	Freehold	–
United States of America				
5234 Brittmoore-North Road Harris County Texas 77041 (KM 449C) USA	Office / Warehouse	Commercial	Freehold	–

SHAREHOLDERS' INFORMATION

as at 29 September 2008

STATISTICS OF SHAREHOLDINGS

No. of Shares	:	1,758,678,060
Issued and fully paid-up capital	:	***S$ 116,501,816***
Class of shares	:	Ordinary share
Voting rights	:	One vote per share
Number of Treasury Shares	:	Nil

ANALYSIS OF SHAREHOLDINGS BY RANGE AS AT 29 SEPTEMBER 2008

Size of Shareholding			Number of Shareholders	%	Number of Shares	%
1	-	999	13	0.13	4,287	0.00
1,000	-	10,000	2,334	22.39	15,207,024	0.87
10,001	-	1,000,000	7,964	76.40	723,412,070	41.13
1,000,001 and above			113	1.08	1,020,054,679	58.00
			10,424	100.00	1,758,678,060	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Md Wira Dani Bin Abdul Daim*	–	–	338,000,000	19.219
Neo Kim Hock*	–	–	175,330,000	9.970

* Deemed Interest is held under various brokerage companies

SHAREHOLDERS' INFORMATION

as at 29 September 2008

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Raffles Nominees Pte Ltd	151,429,291	8.61
2.	DB Nominees (S) Pte Ltd	126,274,000	7.18
3.	OCBC Securities Private Ltd	66,802,000	3.80
4.	United Overseas Bank Nominees Pte Ltd	54,970,200	3.13
5.	Chng Gim Huat	50,000,000	2.84
6.	Jadensworth Holdings Pte Ltd	37,193,000	2.11
7.	DMG & Partners Securities Pte Ltd	32,980,000	1.88
8.	DBS Vickers Securities (S) Pte Ltd	31,399,000	1.79
9.	HL Bank Nominees (S) Pte Ltd	30,854,200	1.75
10.	DBS Nominees Pte Ltd	25,908,000	1.47
11.	Domitian Investment Pte Ltd	22,000,000	1.25
12.	Kim Eng Securities Pte. Ltd.	20,996,000	1.19
13.	UOB Kay Hian Pte Ltd	20,236,000	1.15
14.	Rosley Bin Abdul Rahman	20,000,000	1.14
15.	Citibank Consumer Nominees Pte Ltd	15,792,000	0.90
16.	Low Keng Boon @ Lau Boon Sen	14,180,000	0.81
17.	Lim & Tan Securities Pte Ltd	13,782,000	0.78
18.	HSBC (Singapore) Nominees Pte Ltd	11,562,000	0.66
19.	OCBC Nominees Singapore Pte Ltd	10,402,310	0.59
20.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	10,215,000	0.58
	Total	**766,975,001**	**43.61**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

To the best knowledge of the Company and the Directors and based on the Company's Register of Substantial Shareholders as at 29 September 2008, approximately 70.79% of the issued ordinary shares of the Company is held by the public, and therefore, Rule 723 of the Listing Manual of the SGX-ST is complied with.

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 **1 Plymouth Avenue Singapore 297753, Raffles Town Club, Dunearn 3, Level 1** on Wednesday, 29 October 2008 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 2008 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 96(2) and 78 of the Articles of Association of the Company:

Mr Koh Teng Kiat	[Retiring under Article 96(2)]	**(Resolution 2)**
Mr Lim Kuan Yew	[Retiring under Article 78]	**(Resolution 3)**
Mr Idris Bin Abdullah @ Das Murthy	[Retiring under Article 78]	**(Resolution 4)**
Mr Chin Kok Sang	[Retiring under Article 78]	**(Resolution 5)**
Mr Hisham Othman	[Retiring under Article 78]	**(Resolution 6)**

Mr Idris Bin Abdullah @ Das Murthy will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and member of the Audit and Nominating Committees and will be considered independent.

Mr Chin Kok Sang will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee and member of the Audit and Remuneration Committees and will be considered independent.

3. To approve the payment of Directors' fees of S$182,323 for the year ended 30 June 2008 (2007: S$109,335). **(Resolution 7)**

4. To re-appoint Messrs Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**

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 resolutions as Ordinary Resolutions, with or without any modifications:

6. **Authority to issue shares up to 50 per centum (50%) of the issued shares in the capital of the Company**

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 of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("shares") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force, provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued shares and Instruments shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

    (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

    (c) any subsequent bonus issue consolidation or subdivision of shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the Singapore Exchange Securities Trading Limited for the time being in force (unless such compliance has been waived by the Singapore Exchange Securities Trading Limited) and the Articles of Association of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company 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 pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (i)]

(Resolution 9)

7. **Authority to issue shares under the Magnus Energy Employee Share Option Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the Magnus Energy Employee Share Option Plan (the "Magnus Energy ESOP") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Magnus Energy ESOP, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Magnus Energy ESOP and the Magnus Energy Performance Share Plan shall not exceed five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (ii)]

(Resolution 10)

8. **Authority to issue shares under the Magnus Energy Performance Share Plan**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to grant Awards pursuant to the Magnus Energy Performance Share Plan (the "Magnus Energy PSP") and to allot and issue and/or transfer from time to time such number of Shares as may be required to be issued pursuant to the vesting of Awards under the Magnus Energy PSP, provided that the aggregate number of Shares to be allotted and issued pursuant to the Magnus Energy ESOP and the Magnus PSP shall not exceed 5 per centum (5%) of the total number of issued shares (excluding treasury shares) of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)]

(Resolution 11)

By Order of the Board

Wong Siew Chuan
Secretary
Singapore, 13 October 2008

Explanatory Notes:

(i) The Ordinary Resolution 9 in item 6 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(ii) The Ordinary Resolution 10 in item 7 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Magnus Energy ESOP and Magnus Energy PSP up to a number not exceeding in total (for the entire duration of the Scheme) five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(iii) The Ordinary Resolution 11 in item 8 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the vesting of awards under the Magnus Energy PSP granted or to be granted under the Magnus Energy ESOP and the Magnus Energy PSP up to a number not exceeding in total (for the entire duration of the Scheme) five per centum (5%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (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 10 Anson Road #33-13, International Plaza, Singapore 079903 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)

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 attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

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 the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 1 Plymouth Avenue Singapore 297753, Raffles Town Club, Dunearn 3, Level 1 on 29 October 2008 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided.)

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the year ended 30 June 2008		
2	Re-election of Mr Koh Teng Kiat as a Director		
3	Re-election of Mr Lim Kuan Yew as a Director		
4	Re-election of Mr Idris Bin Abdullah @ Das Murthy as a Director		
5	Re-election of Mr Chin Kok Sang as a Director		
6	Re-election of Mr Hisham Othman as a Director		
7	Approval of Directors' fees amounting to S$182,323		
8	Re-appointment of Messrs Moore Stephens LLP as Auditors		
9	Authority to issue new shares		
10	Authority to issue shares under the Magnus Energy Employee Share Option Plan		
11	Authority to issue shares under the Magnus Energy Performance Share Plan		

Dated this ____________ day of____________________ 2008

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

____

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable

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. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 10 Anson Road #33-13, International Plaza, Singapore 079903 not less than forty-eight (48) hours before the time appointed for the Meeting.

6. 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. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. 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.

MAGNUS
ENERGY

MAGNUS ENERGY GROUP LTD.
10 Anson Road
#33-13, International Plaza
Singapore 079903