Fuelled by a Strong Focus

MAGNUS ENERGY GROUP LTD.

ANNUAL REPORT 2007

CONTENTS

CORPORATE PROFILE

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

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

Over the past 3 years, Magnus has taken significant strides in transforming from a M&E Company to an energy-related company with businesses involving oil and gas equipment distribution in Asia Pacific, crude oil production in China and coal mining activities in Indonesia.

The acquisition in 2004 of a 54.35% stake in Mid-Continent Equipment Group Pte Ltd. has enabled Magnus to establish business opportunities in the oil and gas as well as alternative energy industries.

Magnus was also the first Singapore-listed company to own an oil concession in China with its acquisition of a 75% equity stake in Songyuan Yongda Oilfields Exploration and Technology Co., Ltd in 2006.

Magnus is positioning itself to be a leading regional producer of oil, gas and coal. This will be an ongoing process for Magnus as it looks to diversify its energy business activities, broaden its' earnings base while concurrently re-engineer itself to explore new opportunities globally.

FINANCIAL HIGHLIGHTS

	2007	2006	2005
Turnover ($'000)	128,425	122,346	100,761
Net Asset Value per Share (Cents)	4.13	3.46	1.95
Profit/(Loss) before Taxation ($'000)	5,384	1,976	(3,892)
(Loss) Earnings per Share (Cents)	0.06	(0.11)	(0.67)
TURNOVER BY BUSINESS ACTIVITIES			
Electrical Engineering Services	1,281	3,043	3,139
Building and Mechanical Engineering Services	-	-	895
Crude Oil Production	9,665	-	-
Oilfield Equipment Supply and Services	117,479	119,303	94,962
Property Development	-	-	1,765

CORPORATE STRUCTURE

Magnus Energy Group Ltd.

- 100% Antig Investments Pte. Ltd.
  - 72% PT Deefu Chemical Indonesia
    - 95% PT Batubara Selaras Sapta
- 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
- 54.35% Mid-Continent Equipment Group Pte Ltd.
- 51% 进发展有限公司 Strike Development Pte Ltd

The Group's gross profit improved from S$16.6 million to S$19.7 million in line with the higher turnover achieved. Net profit registered S$3.7 million, compared to S$0.8 million in FY2006. This was attributed to the improved gross profit with no significant difference in total expenses between FY2006 and FY2007.

Dear Shareholders,

The past year saw Magnus Energy Group (the "Group") embark on a journey to redefine our focus from an engineering-based company to become a major regional player in the oil, gas and energy industry. The consolidation of our business is an ongoing process and as we take stock of our progress, I am pleased to share that we have done well during this transitional period.

RESULTS REVIEW

The financial performance of the Group for the financial year ended 30 June 2007 ("FY2007") constitutes results due to continuing operations as well as discontinued operations.

a) Continuing operations

The Group's turnover from continuing operations rose by 4.97% to S$128.4 million in FY2007. The improvement of S$6.1 million in sales is due chiefly to contribution from Songyuan Yongda Oilfields Exploration and Technology Co., Ltd ("Yongda"), a 75% subsidiary in People's Republic of China which we completed the acquisition in October 2006. Our subsidiary, Mid-Continent Equipment Group Pte Ltd ("Mid-Con") contributed S$117.5 million, representing 91.5% of the Group's turnover. Another subsidiary, Yongda contributed S$9.7 million or 7.5% of the Group's turnover for the year under review.

The Group's gross profit improved from S$16.6 million to S$19.7 million in line with the higher turnover achieved. Net profit registered S$3.7 million, compared to S$0.8 million in FY2006. This was attributed to the improved gross profit with no significant difference in total expenses between FY2006 and FY2007.

b) Discontinued operations

As part of efforts to streamline business segments, the Group disposed 4 subsidiaries from the Building, Mechanical & Electrical Engineering and Interior Architecture & Design business segment in FY2006. These former subsidiaries had contributed S$13.3 million to the Group's turnover up till the date of their disposal and S$0.5 million to the Group's net profit.

OUTLOOK AND MOVING FORWARD

Since we redefined our focus, we have continued consolidating our business to position ourselves as a regional player in the oil, gas and energy industry. We became the first listed company in Singapore to own oil concessions in the People's Republic of China ("PRC") with the acquisition of a majority shareholding interest in Yongda. The Yongda Oilfields contain proven reserves of about 43 million barrels of crude oil and in February this year, we announced that it had achieved an additional 55% increase in daily crude oil production to 650 barrels per day. This increase in production closely trails the allocation of 17 new wells for drilling last December. These achievements underscore our intention to aggressively increase the output of our oil concessions in the PRC and we have planned additional technical programmes to increase individual well production volumes and improve operating efficiencies.

In line with our strategy to specialise in the upstream petroleum and coal business, we will continue to explore opportunities to acquire more large energy assets, particularly in the PRC. In June this year, we had announced our intention to acquire a Shangdong-based coal mining company which owns two coal mines in the province with a combined annual coal production of approximately 2 million tons. These mines have potential to be capitalised, with their geological reserves estimated at 120 million tons. We will share more details of the deal in due course.

Looking at the outlook for the energy sector, the International Energy Agency has forecast that global oil demand is expected to expand by 1.9 million barrels a day, to reach 95.8 million barrels a day by 2012. Growing demand for energy worldwide will continue to drive activity in the oil and gas industry. In turn, energy-related businesses, such as refining, drilling, petrochemical, pipeline, power and renewable energy will boost the capital and maintenance budgets for their facilities to meet the increasing demand. These businesses constitute our customer-base and we are well-positioned to ride this industry-wide growth trend. As one of the largest stockist and equipment suppliers to the regional oil drilling market, the creditable performance of our subsidiary, Mid-Con, underscores this positive industry outlook.

NOTE OF APPRECIATION

Lastly, to end on this positive note, on behalf of the Board, I would like to take this opportunity to thank former board member, Mr Harry Lee Vui Khuin for his contributions to the Group as well as welcome new member, Mr Md. Wira Dani bin Abdul Daim onboard. Currently an executive director, Mr Koh Teng Kiat has also assumed the position of Chief Operating Officer for the Group. We look forward to their contributions; their business networks, management and financial expertise will prove invaluable as we explore new business, strategic and financial alliances moving ahead.

Furthermore, our sincere thanks go to our shareholders, customers and business associates for the continued support and to our staff, for their commitment and contributions made to the Group over the past year. As we move into a new year, we welcome any challenge we might encounter along the way as we focus on our goals and stand ready to turn challenges into opportunities. Together, we can fully realise the real asset value of our Company and reap the fruits of our efforts.

Ravindran Govindan
Chairman

4 August 1999
The Company was admitted to the Official List of Stock Exchange of Singapore Dealing and Automated Quotation System ("SGX-Sesdaq").

24 September 1999
The Company acquired 51% equity interest in the issued share capital of Strike Development Pte Ltd whose principal activity is in property development.

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

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

20 January 2000
The Group purchased a plot of land at Ewe Boon Road with land area of approximately 10,400 sq.ft at a price of $9 million, meant for residential property development.

15 March 2000
The Company purchased 422 Tagore Industrial Avenue, Singapore 787806 for a consideration of $7.25 million.

27 April 2000
The Company acquired the entire share capital of Strike Construction Pte Ltd whose principal activities are in building construction and installation, provision of mechanical and electrical engineering services.

9 May 2000
The Company acquired 51% equity interest in the issued share capital of Lantrovision at a consideration of $15,625,000.

28 June 2000
The Company acquired an equity stake of 70% in Gredanian Pte Ltd. Gredanian Pte Ltd's principal activity is in property development.

1 September 2000
The Company subscribed 630,000 ordinary shares of $1.00 each in the capital of Gredanian Pte Ltd at par and for cash with no change in its equity interest of 70%.

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

14 December 2000
The Shares issued pursuant to the Bonus Issue were listed on SGX-Sesdaq.

22 December 2000
The Company sold 415 Tagore Industrial Avenue, Singapore 787804 for a consideration of $2.66 million.

22 January 2001
The Group purchased a plot of land at 40 Stevens Road with land area of approximately 2,801 sq.m at a price of $27 million, meant for residential property development.

31 January 2001
The Company acquired 51% equity interest in the issued share capital of Gordon for a consideration of HK$50.49 million. Gordon was incorporated in Hong Kong and is principally engaged in the business of providing interior architectures, designs and decorations services.

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

2 November 2001
Lantrovision was admitted to the Official List of SGX-Sesdaq.

18 April 2002
The Company and its joint venture partner, the Economic Committee of Myitkyina, State of Kachin, Union of Myanmar set up a full licensed bank in Myitkyina, named Development Bank of Strike, with limited liability wherein the Company shall have a 75% stake and provide initial funding of US$600,000 for the infrastructure and working capital of the bank.

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

21 June 2002
The Company issued 146,603,000 new ordinary shares of $0.05 each (the "Rights Shares") and 146,603,000 free detachable warrants expiring in Dec 2003 (the "Warrants"), each Warrant carrying a right to subscribe for 1 new ordinary share of $0.05 each (the "Share") at the subscription price of $0.05 for each Right Share on the basis of 1 Right Share with 1 free detachable Warrant for every 5 existing Shares held by shareholders of the Company as at 5:00 pm on 28 May 2002, fractional entitlements being disregarded.

26 September 2002
The Group acquired 100% equity interest in Progressive Builders Private Limited ("Progressive") for a cash consideration of $80,000. Progressive's principal activity are engaged in the provision of project management, building construction and installation services and related activities.

21 April 2003
The Company subscribed for 439 new ordinary shares at $1.00 each in the capital of Strike Construction Pte Ltd and waived its pre-emption rights to subscribe for the balance of 68,825 new ordinary shares at $1.00 each in the capital of Strike Construction

Pte Ltd pursuant to a subscription agreement dated 29 December 2000 entered with the other existing 3 shareholders of Strike Construction Pte Ltd. Following the partial subscription, the Company's equity interest in the capital of Strike Construction Pte Ltd was diluted to 52%.

18 July 2003
The Company sold 0.36% equity interest in Lantrovision in the open market at a consideration of $217,375.

15 August 2003
Gredanian Pte Ltd sold the property on 40 Stevens Road at a consideration of $17.4 million.

14 November 2003
The Company divested 21.24% equity interest in Lantrovision to 5 individual placees at an aggregate consideration of $13,750,000, thereby reducing its equity interest held in Lantrovision to 21.24%.

26 December 2003
The Company allotted and issued 100,000,000 new Shares to 7 individual placees at par.

16 March 2004
The Company disposed its entire shareholding of 50.55% in Nete2 Asia Pte Ltd for a cash consideration of $50,000.

26 April 2004
The Company acquired approximately 54.35% of the issued share capital of Mid-Con at a consideration of $13,957,305 satisfied in full by cash of $5,467,155 and the allotment and issue of 169,803,000 new Shares.

1 June 2004
The Company incorporated a wholly-owned subsidiary, Antig Investments Pte. Ltd. with an authorized capital of $5 million and a paid-up capital of $2. The principal activity of the new company is in the business of equity or other investments.

16 June 2004
The Company disposed its wholly-owned subsidiary, Ligent Engineering Pte Ltd for a cash consideration of $200,000.

30 September 2004
The Company further divested 9.27% equity interest in Lantrovision to 2 individual placees at an aggregate consideration of $2,960,000, thereby further reducing its equity interest held in Lantrovision to 11.97%. Consequently, Lantrovision ceased to be the Company's associated company.

19 January 2005
The Company disposed in the open market an aggregate of 46,500,000 ordinary shares, being the remaining equity interest of 11.97%, in Lantrovision (S) Ltd, for an aggregate cash consideration of $2,414,750.

30 September 2005
The Company sold the freehold property, 422 Tagore Industrial Avenue Singapore 787806, at a cash consideration of $3.5 million.

15 February 2006
The Company disposed its entire 52% equity interest in Strike Construction Pte Ltd for a cash consideration of S$560,000.

1 March 2006
The Company disposed its entire 75% interest in Development Bank of Strike for a cash consideration of S$260,000.

26 April 2006
The Company disposed its entire 51% equity interest in Gordon (HK) Designer & Engineer Limited and 100% equity interest in Victrad Enterprise (Pte) Ltd for a cash consideration of HK$2 million and S$2,070,000 respectively.

13 June 2006
The Company acquired 72% equity interest in PT Deefu Chemical Indonesia at a purchase consideration of US$17.88 million satisfied partly by way of issuance of 166,959,091 new ordinary shares of Magnus at S$0.055 each with a total amount of US$5.75 million and partly in cash of US$12.13, of which US$ 8.58 million shall be paid in the next 24 months.

19 June 2006
The Company allotted and issued 228,000,000 new Shares to 4 individual placees at $0.0857 each.

16 August 2006
The Company disposed its 0.5% equity interest in YG Rene Pte. Ltd. to Kingbo Strike Pte Ltd for a cash consideration of S$500.

13 October 2006
The Company completed the acquisition of the entire issued and paid-up share capital of Bridging Resources Ltd and, indirectly a 75% shareholding interest in Songyuan Yongda Oilfields Exploration and Technology Co., Ltd, for an aggregate purchase consideration of up to S$26.6 million satisfied partly by way of transferring 144,221,585 ordinary shares of Magnus ("Consideration Shares") at S$0.1047 each from a substantial shareholder, Neo Kim Hock, with a total amount of S$15.1 million and partly in cash of S$11.5 million, of which S$3.5 million shall be paid in the next 24 months provided that the prescribed profit targets for the financial years ending 31 December 2007 and 2008 are met

27 October 2007
The Company purchased a private company incorporated on 18 August 2006 in the British Virgin Islands known as Green Heritage Overseas Ltd ("Green Heritage") from a registered agent. Thereafter, it subscribed for 50,000 new shares at par of S$1 each, representing the entire issued and paid-up capital of Green Heritage. The principal activity of the new company is that of an investment holding company and trading in coal and other energy related resources.

4 December 2006
The Company allotted and issued 144,221,585 new Ordinary Shares to Neo Kim Hock pursuant to the share issue mandate obtained on 31 October 2006 and in accordance with the subscription agreement dated 6 October 2006 whereby the Company agreed to return to Neo Kim Hock the Consideration Shares transferred on 13 October 2006 so as to assist the Company in fulfilling and discharging its obligations arising from the acquisition of 75% shareholding interest in Songyuan Yongda Oilfields Exploration and Technology Co., Ltd.

29 June 2007
The Company incorporated a wholly-owned subsidiary, APAC Coal Limited, as a public company limited by shares under the Corporations Act 2001 in Western Australia with a fully paid-up capital of A$2. The principal activity of the new company is engaging in the exploration and evaluation of mineral resources.

10 August 2007
The Company allotted and issued 70,000,000 new Ordinary Shares to 12 individual placees at S$0.163 per Share.

BOARD OF DIRECTORS

Ravindran Govindan, *Chairman,* joined Magnus in May 2003. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee. He currently sits on the board of several public and private companies in Singapore and overseas. He has co-founded several companies in the information technology and medical sectors, and successfully list them on the Singapore Exchange Securities Trading Limited and Australian Stock Exchange. He is also a director of Mid-Continent Equipment Group Pte Ltd. and Antig Investments Pte. Ltd., subsidiaries of Magnus. He holds a Bachelor of Law (Honours) degree from the University of Singapore.

Md Wira Dani Bin Abdul Daim, *Deputy Chairman* and substantial shareholder, joined Magnus in November 2006. He is also a Non-Executive Director of Hong Kong listed Byford International Ltd since May 2004. 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. He is currently the Chairman of Astute Capital Limited and Managing Director in various companies in Malaysia. Mr Wira graduated with honours from Wolfsson College Bachelor of Arts in year 2001, Cambridge University, United Kingdom. He obtained his Masters of Arts in year 2005, Cambridge University, United Kingdom.

Richard Chan, *Managing Director*, joined Magnus as an independent director in September 2002 and was promoted to Managing Director of the Company in May 2006. He oversees our overall management and operations and is responsible for the strategic plans, future direction and implementation of our Group's strategies. Mr Chan has vast corporate experience in Australia, Singapore and China especially in the mergers and acquisition activities. He currently sits on the board of several public and private companies in Singapore and Overseas. Mr Chan graduated from Pepperdine University (USA) with a Bachelor of Science, Business Administration majoring in Finance and Marketing in 1987.

Koh Teng Kiat, *Executive Director and Chief Operating Officer,* joined Magnus in July 2004. He currently oversees the Group's operational aspects of crude oil production in China and coal mining activities in Indonesia, addresses compliance issues, and supervises funding arrangements. Mr Koh is a skilled financial expert with skills honed over almost 20 years in business in the Asia Pacific region. He has extensive experience in company financial system restructuring and has worked in the petroleum, the construction and the manufacturing sectors, among others. He has worked in public companies and in multi-national businesses. He is also a director of Mid-Continent Equipment Group Pte Ltd., Antig Investments Pte. Ltd. and Bridging Resources Ltd, all subsidiaries of Magnus. Mr Koh holds a Degree from the Chartered Institute of Management Accountants of the United Kingdom. He is a Fellow member of both the Chartered Institute of Management Accountants of the United Kingdom and Institute of Certified Public Accountants of Singapore.

Umar Abdul Hamid, *Non-Executive Director*, joined Magnus in March 1997. He has more than 25 years of professional experience in both private and public sectors in areas of engineering project management, administrative services and business development. Mr Umar is a Fulbright scholar with degrees in Master of Business Administration from Chicago Graduate School of Business, Master of Education (Administration, Planning and Social Policy) from Harvard University, Bachelor of Science in Electrical Engineering from the University of Arizona. He is also the participant of the owner / President Management Program from Harvard Business School. He was a member of Parliament from 1991 to 1996 and is currently the Vice-Chairman of Singapore Business Federation, the Honorary President of the Singapore Malay Chamber of Commerce and Industry.

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

Goh Boon Kok, *Independent Director,* joined Magnus in June 2004. He is also a member of the Audit Committee, Nominating Committee and Remuneration Committee. He has more than 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.

Arwan Ahimsa, *Independent Director*, joined Magnus in May 2006. He possesses corporate management skills with diverse overseas experience in managing industrial enterprises, conducting business negotiations, and financial engineering. He sits on the Board of Directors in several companies in Indonesia, among others commissioner of PT. ARBE Styrindo & PT. ABS Industry Indonesia, President Director of PT. ARBE Chemindo & PT. ARBE Peroxida; Vice President Director of PT. Risjadson Investment and Holding Company having major investments in coal assets (PT. Berau Coal), IPP companies, CPO plantations (PT. London Sumatra Plantations, Tbk; Risjadson Sejahtera Agroindustry). Mr Ahimsa graduated from the University of Hawaii with a Bachelor of Science Degree in Agriculture and Resource Economics, and proceeded with some Graduate Work at the same Faculty.

KEY MANAGEMENT

Wong Siew Chuan, *Chief Financial Officer,* joined Magnus in 1999 and has been with Magnus for 8 years. She is also the Company Secretary for Magnus and 2 of its subsidiaries. Ms Wong graduated from the National University of Singapore with a Bachelor of Accountancy degree in 1988 and is a non-practising Fellow Certified Public Accountant Singapore. She has more than 18 years of experience in financial and management reporting with 9 years of experience in auditing a portfolio of trading, service, manufacturing companies and financial institutions. Her current duties include financial and management reporting and corporate secretarial duties for Magnus and 2 of its subsidiaries as well as liaising with the Singapore Exchange Securities Trading Limited as Magnus' authorized representative.

Luke Ho Khee Yong, *Regional Finance Manager,* joined Magnus in September 2006. He obtained his Diploma in Accountancy from Ngee Ann Polytechnic in August 1996 and holds a Degree from the Chartered Institute of Management Accountants of the United Kingdom. He has more than 9 years of experience in finance and management. He is the Deputy General Manager of Magnus' crude oil production subsidiary in China, Songyuan Yongda Oilfields Exploration and Technology Co., Ltd overseeing its finance and administration matters.

Executive
Mr Richard Chan Sing En *(Managing Director)*
Mr Koh Teng Kiat *(Chief Operating Officer)*

Non-Executive
Mr Ravindran Govindan *(Chairman)*
Mr MD Wira Dani Bin Abdul Daim *(Deputy Chairman)*
Mr Umar Abdul Hamid
Mr Lew Syn Pau *(Independent Director)*
Mr Goh Boon Kok *(Independent Director)*
Mr Arwan Ahimsa *(Independent Director)*

Audit Committee
Mr Lew Syn Pau *(Chairman)*
Mr Goh Boon Kok
Mr Arwan Ahimsa *[Appointed on 12 February 2007]*
Mr Ravindran Govindan *[Appointed on 12 February 2007]*

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

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

Secretary
Wong Siew Chuan, CPA

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Share Registrar
Lim Associates (Pte) Ltd
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Samsung Hub
Singapore 049483
Tel : 6536 5355
Fax: 6536 1360

Auditors
Moore Stephens
Certified Public Accountants
11 Collyer Quay
#10-02 The Arcade
Singapore 049317

Audit Partner-in-Charge
Mr Christopher Bruce Johnson
Date of Appointment: 31 October 2005

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

Magnus is committed to ensuring a 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 ("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 recommendations, when required. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

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

Board Meetings Held

The number of meetings held and attended by each Director during the financial year ended 30 June 2007 is tabulated below:

Director	Board Membership	Committee Membership							
		Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name		No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Ravindran Govindan	Chairman	8	5	4	– (1)	1	– (2)	3	2 (2)
Md Wira Dani Bin Abdul Daim	Deputy Chairman	8	2 (3)	–	–	–	–	–	–
Richard Chan Sing En	Managing Director	8	8	–	–	–	–	–	–
Koh Teng Kiat	Executive Director/ Chief Operating Officer	8	8	–	–	–	–	–	–
Umar Abdul Hamid	Non–Executive Director	8	5	–	–	–	–	–	–
Lew Syn Pau	Independent Director	8	8	4	4	1	1	3	3
Goh Boon Kok	Independent Director	8	8	4	4	1	1	3	3
Arwan Ahimsa	Independent Director	8	1	4	1 (4)	–	–	–	–
Harry Lee Vui Khiun	Ex–Non–Executive Director	8	4 (5)	–	–	–	–	–	–
Meno Junichiro	Ex–Independent Director	8	4 (6)	4	2 (6)	1	1 (6)	3	1 (6)

Notes
(1) Appointed as a member of AC on 12 February 2007.
(2) Appointed as a member of both NC and RC on 28 August 2006.
(3) Appointed on 9 November 2006.
(4) Appointed as a member of AC on 12 February 2007.
(5) Resigned on 30 May 2007.
(6) Resigned as a director on 20 November 2006, ceased to be a member of the AC, NC and RC on 20 November 2006.

Matters Requiring the Board's Approval

Regular meetings are held to evaluate, review, deliberate and approve the Company's decision making. The matters stipulated below require the Board's approval:

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

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 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.

2. BOARD COMPOSITION AND BALANCE

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 8 members, 2 executive directors, and 6 non-executive directors, of whom three are independent directors. Hence, the Board complies with the Code that at least one third of its directors are independent, which brings a strong and independent element to the Board. Also, as the Board comprises 75% non-executive directors, of whom 50% is independent, there is no individual or small group of individuals who dominates the Board's decision-making process.

The Board has 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.

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 Ravindran Govindan and the Managing Director, Mr Richard Chan Sing En. There is also no relationship between the Non-Executive Chairman and Managing Director. The day-to-day operations of the Company are assumed by the Managing Director.

The Non-Executive Chairman's responsibilities include mainly the following:

- scheduling the meetings and preparing the meetings 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 and wishes 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 2 independent directors including the Chairman and 1 Non-Executive Director. As at the date of this report, the NC members are:

- Mr Lew Syn Pau (Chairman and Independent Director)
- Mr Goh Boon Kok (Independent Director)
- Mr Ravindran Govindan (Non-Executive Director)

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 regularly;
- determine the independence of directors annually, guided by the independent guidelines contained in the Code; and
- 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.

NC meets at least once a year. Additional meetings can be 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 Ravindran Govindan, Lew Syn Pau and Arwan Ahimsa will retire pursuant to Article 96(2) and Mr Md Wira Dani Bin Abdul Daim will retire pursuant to Article 78 at the forthcoming AGM.

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

Based on independent guidelines contained in the Code, the independent directors have declared independence for the financial year ended 30 June 2007.

During the financial year ended 30 June 2007, the NC 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 management team of the Group 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 it deems necessary in the discharge of its responsibilities properly. Such expenses are to be 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 2 Independent Directors including the Chairman and 1 Non-Executive Director. As at the date of this report, the RC members are:

- Mr Lew Syn Pau (Chairman and Independent Director)
- Mr Goh Boon Kok (Independent Director)
- Mr Ravindran Govindan (Non-Executive Director)

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 will cover 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 and is periodically benchmarked to market/industry; and
- recommendation on fees payable to non-executive directors based on the level of responsibilities undertaken by them.

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 it deems necessary in the discharge of its responsibilities properly. Such expenses are to be borne by the Company:

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

During the financial year ended 30 June 2007, 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 for the financial year ended 30 June 2007 be fixed at S$109,335. The Board duly accepted RC's recommendation and proposed the same for approval by the shareholders at the forthcoming AGM.

The Company does not have any employee share option schemes.

RC meets at least once a year. Additional meetings can be 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.*

A breakdown showing the level and mix of each individual director's remuneration paid/payable for the financial year ended 30 June 2007 is as follows:

Name	Salaries %	Bonus %	Director fees %	Other benefits %	Total %
$250,000 to below $500,000					
Directors					
Chan Sing En	72.1	22.5	–	5.4	100.0
Below $250,000					
Directors					
Ravindran Govindan	5.0	–	93.5	1.5	100.0
Md Wira Dani Bin Abdul Daim (1)	–	–	100.0	–	–
Koh Teng Kiat	73.4	21.7	–	4.9	100.0
Umar Bin Abdul Hamid	–	–	100.0	–	100.0
Lew Syn Pau	–	–	100.0	–	100.0
Goh Boon Kok	–	–	100.0	–	100.0
Arwan Ahimsa	–	–	100.0	–	100.0
Harry Lee Vui Khiun (2)	–	–	–	–	–
Meno Junichiro (3)	–	–	100.0	–	100.0
Key Executives					
Wong Siew Chuan	67.1	22.4	–	10.5	100.0

(1) Appointed as on 9 November 2006
(2) Resigned on 30 May 2007
(3) Resigned on 20 November 2006

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 2007 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 half 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 will be 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.*

As at the date of this report, the AC members are:-

- Mr Lew Syn Pau (Chairman and Independent Director)
- Mr Goh Boon Kok (Independent Director)
- Mr Arwan Ahimsa (Independent Director)
- Mr Ravindran Govindan (Non-Executive Director)

2 members of AC have in-depth years of professional 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 their responsibilities.

AC meets at least twice a year. Additional meetings can be scheduled if considered necessary by the Chairman of the AC.

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 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 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;
- any formal announcements relating to the Company's financial performance not limited to the 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 scope 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 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 it deems necessary in the discharge of its responsibilities properly. Such expenses are to be borne by the Company.

The AC has full access to, and the co-operation of, management and 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.

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

The AC also reviews any arrangement 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 matters of financial reporting or other similar matters. The AC's objective is to ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action and improvements, if necessary and required.

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

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 of 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 Committee 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 report, 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 implement 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 2007, 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 inventory management of Mid-Continent Equipment Group Pte Ltd. and Mid-Continent Tubular Pte Ltd, subsidiaries of the Group. Based on the findings reported, the AC was satisfied that there were no material weaknesses in the internal controls of the two subsidiaries.

The AC reviews the adequacy of the internal audit function annually and ensures that the internal audit function is adequately resourced and 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 our 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 substantially separate issues are disclosed separately and not bundled together unless the resolutions are interdependent and linked so as to form one significant proposal and clear explanation and reasons are to be 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. RISK MANAGEMENT

The management regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as respond appropriately to control and mitigate these risks. The management reviews all significant control policies and procedures and highlights all significant matters to the AC and the Board.

14. SECURITIES TRANSACTIONS

The Company has in place a policy prohibiting share dealings by Directors and key executives of the Group for the period of one month before the announcement of the Company's half and full year results, as the case may be, and ending one day after 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.

15. 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, entering into since the end of previous financial year.

16. 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 2007, there were no interested persons transactions.

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 2007 and balance sheet of the Company as at 30 June 2007.

1 Directors

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

Ravindran Govindan
Md Wira Dani Bin Abdul Daim (Appointed on 9 November 2006)
Chan Sing En
Koh Teng Kiat
Umar Abdul Hamid
Lew Syn Pau
Goh Boon Kok
Arwan Ahimsa

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 or Warrants

No options or warrants to take up unissued shares of the Company or its subsidiaries were granted and no shares were issued by virtue of the exercise of options or warrants to take up unissued shares of the Company or any subsidiary. There were no unissued shares of the Company or any subsidiary under option at the end of 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 1.7.2006 or date of appointment, if later	As at 30.6.2007	As at 21.7.2007	As at 1.7.2006 or date of appointment, if later	As at 30.6.2007	As at 21.7.2007
The Company						
Ordinary shares						
Umar Abdul Hamid	62,738	62,738	62,738	28,371	28,371	28,371
Lew Syn Pau	–	–	–	4,813,999	3,725,999	3,725,999
Chan Sing En	–	–	–	–	4,000,000	7,000,000
Md Wira Dani Bin Abdul Daim	–	–	–	–	338,000,000	338,000,000

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 2007.

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 four non-executive directors, three of whom are independent directors. The members of the Committee are:

Lew Syn Pau, Chairman	(Independent Director)
Goh Boon Kok, Member	(Independent Director)
Arwan Ahimsa, Member	(Independent Director) (Appointed on 12 February 2007)
Ravindran Govindan, Member	(Non-Executive Director) (Appointed on 12 February 2007)

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 external auditors and their evaluation of the system of internal accounting controls;

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

(d) Interested party transactions for the financial year ended 30 June 2007 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;

(e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2007 before their submission to the board of directors and the auditors' report on those financial statements; and

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

The Audit Committee held four meetings during the financial year.

7 Auditors

The auditors, Moore Stephens have expressed their willingness to accept reappointment.

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,

CHAN SING EN
Director

KOH TENG KIAT
Director

Singapore
28 September 2007

We, Chan Sing En 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 23 to 77 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 2007 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,

CHAN SING EN
Director

KOH TENG KIAT
Director

Singapore
28 September 2007

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 2007 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 2007, 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 page 23 to 77.

Directors' Responsibility for the Financial Statements

The Company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with Singapore Financial Reporting Standards and Singapore Companies Act, Cap. 50 (the "Act"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and 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 of material misstatement.

An audit includes performing procedures to obtain 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 material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control 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 control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by directors, 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.

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 2007 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
Certified Public Accountants

Singapore
28 September 2007

FOR THE FINANCIAL ENDED 30 JUNE 2007

	Note	2007 S$	2006 S$
Continuing Operations			
Revenue	3	128,424,612	122,345,568
Cost of sales		(108,696,476)	(105,895,031)
Gross profit		19,728,136	16,450,537
Other operating income	4	1,744,590	1,293,534
Distribution and selling expenses	5	(1,671,750)	(739,418)
Administrative expenses	6	(12,882,060)	(13,539,501)
Other operating expenses	7	(1,333,682)	(1,346,231)
Finance income	9	446,739	266,227
Finance costs	10	(638,966)	(469,193)
Share of results of associated companies	16	(8,738)	60,127
Profit from continuing operations before tax		5,384,269	1,976,082
Income tax expense	11	(1,732,844)	(1,156,419)
Profit from continuing operations after tax		3,651,425	819,663
Discontinued Operations			
Profit for the year from discontinued operations	12	–	307,072
Profit for the year		3,651,425	1,126,735
Attributable to:			
Equity holders of the Company		956,037	(854,355)
Minority interests		2,695,388	1,981,090
		3,651,425	1,126,735
Earnings/(loss) per share (cents)			
Basic and diluted – continuing operations	13a	0.06	(0.11)
Basic and diluted – discontinued operations	13b	–	0.04

The accompanying notes form an integral part of the financial statements

BALANCE SHEETS

AS AT 30 JUNE 2007

	Note	Group 2007 S$	Group 2006 S$	Company 2007 S$	Company 2006 S$
ASSETS					
Non-Current Assets					
Property, plant and equipment	14	27,951,342	6,556,917	286,856	88,482
Available-for-sale financial assets	20	3,898,615	4,506,678	1,795,625	1,631,845
Investments in subsidiaries	15	–	–	14,086,160	13,957,307
Investments in associated companies	16	56,400	68,425	–	–
Investments in joint venture entities	17	–	–	–	–
Goodwill	18	25,692,751	9,338,596	–	–
Deferred tax assets	11	72,992	35,340	–	–
Intangible assets	19	44,959,571	44,318,813	–	–
Total Non-Current Assets		102,631,671	64,824,769	16,168,641	15,677,634
Current Assets					
Inventories	21	14,507,869	25,946,335	–	–
Projects-in-progress	22	–	128,914	–	128,914
Trade receivables	23	14,806,586	22,472,185	94,500	105
Other receivables, deposits and prepayments	24	3,651,145	4,612,454	1,023,873	3,557,379
Due from minority shareholders of subsidiaries	25	8,160	101,660	–	–
Due from subsidiaries	25	–	–	45,927,581	18,000,760
Due from associated companies	25	782,376	756,631	–	–
Due from joint venture entities	25	83,039	220,353	–	–
Due from related parties	25	27,581	154,098	–	–
Cash and bank balances	26	14,474,627	26,243,327	1,758,664	15,414,427
Total Current Assets		48,341,383	80,635,957	48,804,618	37,101,585
Total Assets		150,973,054	145,460,726	64,973,259	52,779,219

The accompanying notes form an integral part of the financial statements

AS AT 30 JUNE 2007

	Note	Group 2007 S$	Group 2006 S$	Company 2007 S$	Company 2006 S$
LIABILITIES AND EQUITY					
Current Liabilities					
Trade payables	27	12,833,414	15,964,122	137,000	241,547
Progress billings in excess of costs	22	–	1,212,440	–	1,212,440
Other payables and accruals	28	13,275,581	7,720,248	258,830	146,922
Due to minority shareholders of subsidiaries	25	–	8,860	–	–
Due to associated companies	25	23,955	–	–	–
Due to related parties	25	1,476,215	11,860,010	–	–
Due to joint venture entities	25	3,888,746	6,243,783	–	–
Income tax liabilities		1,076,050	1,290,110	–	–
Short-term borrowings	29	6,043,522	3,994,933	–	454,762
Finance lease obligations	30	34,604	36,667	–	–
Bank overdrafts	31	–	232,553	–	–
Total Current Liabilities		38,652,087	48,563,726	395,830	2,055,671
Non-Current Liabilities					
Finance lease obligations	30	23,044	61,111	–	–
Other payables and accruals	28	1,937,304	5,705,056	–	–
Deferred tax liabilities	11	12,624,037	12,442,503	32,800	32,800
Total Non-Current Liabilities		14,584,385	18,208,670	32,800	32,800
Total Liabilities		53,236,472	66,772,396	428,630	2,088,471
Equity					
Share capital	32	105,091,816	89,991,816	105,091,816	89,991,816
Reserves	33	(35,408,764)	(36,524,085)	(40,547,187)	(39,301,068)
		69,683,052	53,467,731	64,544,629	50,690,748
Minority interests		28,053,530	25,220,599	–	–
Total Equity		97,736,582	78,688,330	64,544,629	50,690,748
Total Liabilities and Equity		150,973,054	145,460,726	64,973,259	52,779,219

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Attributable to shareholders								
	Share Capital S$	Share Premium S$	Capital Reserve S$	Fair value Reserve S$	Translation Reserve S$	Revenue Reserve S$	Total S$	Minority Interests S$	Total Equity S$
Group									
2007									
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	–	–	–	–	–	956,037	956,037	2,695,388	3,651,425
Total recognised income for the year	–	–	–	162,624	42,268	956,037	1,160,929	2,884,066	4,044,995
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	105,091,816	–	–	65,380	(396,787)	(35,077,357)	69,683,052	28,053,530	97,736,582

The accompanying notes form an integral part of the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Attributable to shareholders								
	Share Capital S$	Share Premium S$	Capital Reserve S$	Fair value Reserve S$	Translation Reserve S$	Revenue Reserve S$	Total S$	Minority Interests S$	Total Equity S$
Group (cont'd)									
2006									
Balance at 1 July 2005	57,474,210	3,842	3,943,807	–	(105,664)	(35,353,809)	25,962,386	15,477,283	41,439,669
Effect of adopting FRS 39	–	–	–	71,120	–	196,374	267,494	–	267,494
Adjusted balance at 1 July 2005	57,474,210	3,842	3,943,807	71,120	(105,664)	(35,157,435)	26,229,880	15,477,283	41,707,163
Fair value changes to available for sale financial assets	–	–	–	(168,364)	–	–	(168,364)	–	(168,364)
Foreign currency translation differences	–	–	(278)	–	(333,391)	–	(333,669)	(309,368)	(643,037)
Transfer from accumulated losses on issuance of bonus shares by a subsidiary	–	–	21,604	–	–	(21,604)	–	18,145	18,145
Income/(Loss) recognised directly in equity	–	–	21,326	(168,364)	(333,391)	(21,604)	(502,033)	(291,223)	(793,256)
Minority interest of disposed subsidiaries	–	–	–	–	–	–	–	(995,660)	(995,660)
Net (loss)/profit for the year	–	–	–	–	–	(854,355)	(854,355)	1,981,090	1,126,735
Total recognised income/(loss) for the year	–	–	21,326	(168,364)	(333,391)	(875,959)	(1,356,388)	694,207	(662,181)
Issuance of 13,184 ordinary shares upon exercise of Warrant 2006	1,740	–	(290)	–	–	–	1,450	–	1,450
Issuance of 228,000,000 ordinary shares at S$0.0857 each via private placement	19,539,600	–	–	–	–	–	19,539,600	–	19,539,600
Issuance of 166,959,091 ordinary shares at S$0.055 each as partial consideration for the acquisition of shares in a subsidiary	9,182,750	–	–	–	–	–	9,182,750	–	9,182,750

The accompanying notes form an integral part of the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Attributable to shareholders								
	Share Capital S$	Share Premium S$	Capital Reserve S$	Fair value Reserve S$	Translation Reserve S$	Revenue Reserve S$	Total S$	Minority Interests S$	Total Equity S$
Group (cont'd)									
2006 (cont'd)									
Minority interest of acquired subsidiary	–	–	–	–	–	–	–	9,505,609	9,505,609
Transfer to share capital the share premium and net proceeds from outstanding Warrants 2006 which expired on 5 April 2006	3,793,516	(3,842)	(3,789,674)	–	–	–	–	–	–
Reversal of issuance of ordinary shares by a former subsidiary at nil consideration upon disposal	–	–	(129,561)	–	–	–	(129,561)	–	(129,561)
Dividends paid by a subsidiary	–	–	–	–	–	–	–	(456,500)	(456,500)
Balance at 30 June 2006	89,991,816	–	45,608	(97,244)	(439,055)	(36,033,394)	53,467,731	25,220,599	78,688,330

The accompanying notes form an integral part of the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 S$	2006 S$
Cash Flows from Operating Activities			
Profit from continuing operations before tax		5,384,269	1,976,082
Profit from discontinued operations before tax (Note 12)		–	307,072
		5,384,269	2,283,154
Adjustments:			
Bad trade receivables written off/(recovered)		4,682	(100,588)
Depreciation of property, plant and equipment		3,212,656	1,607,776
Dividend income		(84,799)	–
Impairment of inventories (written back)		(25,944)	126,177
Impairment of trade receivables		463,290	22,118
Interest expense		484,079	294,392
Interest income		(446,739)	(266,920)
Gain on disposal of available-for-sale financial assets		(114,083)	(517,952)
Gain on disposal of property, plant and equipment		(633,553)	(222,728)
Goodwill written off on disposal of subsidiaries		220,000	–
Property, plant and equipment written off		–	1,612
Loss/(Gain) on disposal of subsidiaries		1,257,585	(419,018)
Share of results of associated companies		8,738	(60,127)
Operating cash flow before working capital changes		9,730,181	2,747,896
Changes in operating assets and liabilities:			
Inventories		2,178,628	(12,616,849)
Projects-in-progress, net of progress billings		(1,083,526)	5,316,162
Trade receivables		1,869,753	(4,802,911)
Other receivables, deposits and prepayments		(28,181)	(2,766,068)
Trade payables		6,113,485	1,055,972
Other payables and accruals		(2,979,559)	(726,716)
Intercompany balances		(11,463,539)	12,792,594
Due (to)/from minority shareholders of subsidiaries		(8,160)	75,117
Cash flows generated from operations		4,329,082	1,075,197
Interest income received		446,739	266,920
Interest paid		(484,079)	(294,392)
Income taxes paid		(743,769)	(1,171,621)
Net cash flows generated from/(used in) operating activities		3,547,973	(123,896)

The accompanying notes form an integral part of the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

	Note	2007 S$	2006 S$
Cash Flows from Investing Activities			
Proceeds from sale of property, plant and equipment		1,343,734	4,028,216
Purchase of property, plant and equipment	B	(5,627,460)	(2,747,905)
Net proceeds from sale of available-for-sale financial assets		6,857,392	2,381,153
Acquisition of available-for-sale financial assets		(5,900,552)	(2,438,385)
Payment of 25% participating interest for the exploration of an area covered by the Petroleum Exploration Licence 101 granted under the Petroleum Act 2000 of South Australia		–	(2,396,000)
Payment of exploration and evaluation for the Kuaro coal formation in Indonesia		(532,883)	–
Net cash flow from disposal of subsidiaries	C	(1,817,596)	920,757
Net cash flow used in the acquisition of a subsidiary	D	(7,923,810)	(5,704,724)
Payment of dividends by a subsidiary company to minority interests		(701,627)	(456,492)
Dividend income received		84,799	–
Net cash flow used in investing activities		(14,218,003)	(6,413,380)
Cash Flows from Financing Activities			
Proceeds from short term loan		209,472	59,450
Net proceeds from issue of shares, net of expenses		–	19,539,600
Net proceeds from issue of warrants, net of expenses		–	1,450
Repayment of lease obligations		(34,590)	(70,468)
Repayment of short-term loans		(985,880)	(246,000)
Fixed deposits pledged to bank		(2,117,147)	(247,747)
Bills payable to banks		217,897	(566,418)
Net cash flows (used in)/generated from financing activities		(2,710,248)	18,469,867
Net foreign currency translation adjustments		(273,016)	(165,088)
Net (decrease)/ increase in cash and cash equivalents		(13,653,294)	11,767,503
Cash and cash equivalents at beginning of year		19,904,496	8,136,993
Cash and cash equivalents at end of year	A	6,251,202	19,904,496

A. Cash and Cash Equivalents

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

	Note	2007 S$	2006 S$
Cash and bank balances	26	4,569,456	5,228,245
Fixed deposits	26	1,681,746	14,908,804
Bank overdrafts, unsecured		–	(232,553)
Cash and cash equivalents		6,251,202	19,904,496

The accompanying notes form an integral part of the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

B. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $5,627,460 (2006: $2,857,905) of which $Nil (2006: $110,000) was acquired by means of finance leases. Cash payments of $5,627,460 (2006: $2,747,905) 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 2007 were as follows:

	2007 S$	**2006** S$
Property, plant and equipment	307,947	1,901,092
Goodwill on consolidation	–	66,000
Fixed deposits	1,451,194	–
Cash and bank balances	1,561,060	1,806,851
Bill payables to banks	(993,139)	–
Trade receivables	5,745,661	2,837,474
Due from director	67,261	–
Projects-in-progress, net of progress billings	–	3,396,984
Inventory	9,185,262	–
Intercompany balances, net	(341,934)	(973,624)
Other receivables, deposits and prepayments	81,768	728,006
Trade payables	(11,409,162)	(1,187,756)
Other payables and accruals	(90,603)	(3,660,406)
Provision for taxation	(201,695)	(273,778)
Finance lease obligations	–	(174,162)
Bank borrowings	–	(237,919)
Deferred taxation	(31,346)	(33,474)
Due to minority shareholders of subsidiaries	–	(891,038)
Minority interests	(2,880,031)	(995,660)
Net assets disposed of	2,452,243	2,308,590
(Loss)/Gain on disposal	(1,257,585)	419,018
Proceeds from disposal of subsidiaries	1,194,658	2,727,608
Less:		
Cash and bank balances of subsidiaries disposed of	(3,012,254)	(1,806,851)
Net cash flow (used in)/from disposal of subsidiaries	(1,817,596)	920,757

The accompanying notes form an integral part of the financial statements

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2007

D. Acquisition of subsidiaries

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

	2007 S$	2006 S$
Property, plant and equipment	19,715,414	41,922,813
Inventory	54,520	–
Due from minority shareholders of subsidiary	–	101,660
Cash and bank balances	76,190	–
Other receivables, deposit & prepayments	(26,517)	–
Trade receivables	1,475,460	–
Term loans	(3,046,120)	–
Trade payables	(2,875,929)	–
Other creditors and accruals	(1,250,927)	(2,465)
Provision for taxation	–	(255)
Deferred taxation	–	(11,948,002)
Net assets acquired	14,122,091	30,073,751
Goodwill on consolidation	15,945,736	7,548,893
Minority interests	(3,530,523)	(9,505,609)
Total purchase consideration	26,537,304	28,117,035
Purchase consideration satisfied via share issue	(15,100,000)	(9,182,750)
Total purchase consideration satisfied via cash	11,437,304	18,934,285
Less:		
Cash and bank balances of subsidiaries acquired	(76,190)	–
Purchase consideration payable (Note 28)	(3,437,304)	(13,229,561)
Net cash flow used in the acquisition of subsidiary	7,923,810	5,704,724

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 limited company incorporated and domiciled in Singapore.

The registered office and principal place of business of the Company is located at 3 Phillip Street #11-01 Commerce Point Singapore 048693.

The principal activities of the Company are those of investment holding, provision of mechanical and electrical engineering services and dealing in electrical products. The principal activities of the subsidiaries are as shown in Note 15 to the financial statements.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements are prepared in accordance with Singapore Financial Reporting Standards ("FRS") as required by the Singapore Companies Act, Cap. 50 and are 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 40 to the financial statements.

During the financial year, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for the current financial year. Changes to the Group's accounting policies have been made as required, in accordance with the relevant transitional provisions in the respective FRS and INT FRS. The adoption of these new or revised FRS and INT FRS did not result in any substantial changes to the Group's accounting policies.

FRS and INT FRS issued but not yet effective

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

			Effective date (Annual periods beginning on or after)
FRS 1	:	Amendment to FRS 1 (revised), Presentation of Financial Statements (Capital Disclosures)	1 January 2007
FRS 40	:	Investment Property	1 January 2007
FRS 107	:	Financial Instruments: Disclosures	1 January 2007
FRS 108	:	Operating Segments	1 January 2009
INT FRS 110	:	Interim Financial Reporting and Impairment	1 November 2006
INT FRS 111	:	FRS 102 – Group and Treasury Share Transactions	1 March 2007
INT FRS 112	:	Service Concession Arrangements	1 January 2008

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

The Group expects that the adoption of the above pronouncements if applicable will have no material impact on the financial statements in the period of initial application except for FRS 107, INT FRS 112 and the amendment to FRS 1 as indicated below.

FRS 107 introduces new disclosures about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

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.

The amendment to FRS 1 requires the Group to make new disclosures to enable users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

(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.

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 (w) 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.

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

(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 associates is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

(iii) Interests in Joint Ventures

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 interest in the joint venture.

2 Summary of Significant Accounting Policies (cont'd)

(c) 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. The policy on goodwill on acquisition of an associated company is included in investment in associated company.

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 include the carrying amount of goodwill relating to the entity disposed.

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.

(d) Investments in Subsidiaries

Investments in subsidiaries are stated in the Company's balance sheet at cost less any impairment losses.

(e) Investments in Associated Companies

Investments in associated companies are stated in the Company's balance sheet at cost less any impairment losses.

(f) Investments in Joint Ventures Entities

Investments in joint venture companies is stated in the Company's balance sheet at cost less any impairment losses.

(g) Related Parties

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

(h) Property, Plant and Equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Expenditure for additions, improvements and renewals is capitalised and expenditure for maintenance and repairs is charged to the income statement.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the property, plant and equipment is included in the income statement in the year the item of plant and equipment is derecognised.

When property, plant and equipment are revalued, any surplus on revaluation is credited to revaluation reserve. A decrease in net carrying amount arising from revaluation of property, plant and equipment is charged to the income statement to the extent that it exceeds any surplus held in revaluation reserve relating to a previous revaluation of the same class of assets.

2 Summary of Significant Accounting Policies (cont'd)

(i) Depreciation

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

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

No depreciation is charged for freehold land.

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

The residual values, useful lives and depreciation method are reviewed annually to ensure that the method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the item of property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the year in which it is incurred.

(j) Available-for-sale Financial Assets

Available-for-sale financial assets are measured at fair value with gains or losses being recognised in the fair value reserve in the equity section until the investments are derecognised or until the investments are determined to be impaired at which time, the cumulative gains or losses previously reported in equity are included in the income statement. Impairment losses recognised in the income statement are not reversed through the income statement until the investments are disposed of.

The fair value of quoted investments is determined by reference to the relevant stock exchange's quoted market bid prices at the close of business on the balance sheet date.

(k) 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 to.

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.

2 Summary of Significant Accounting Policies (cont'd)

(k) Impairment of Non-Financial Assets Excluding Goodwill (cont'd)

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.

(l) 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.

(ii) Amortisation

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.

(iii) 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.

(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:

<u>Finished goods</u>

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

<u>Work in progress</u>
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.

2 Summary of Significant Accounting Policies (cont'd)

(n) Projects-in-Progress

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

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

(o) 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.

(p) 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.

(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, 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 carried at cost.

(r) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases and the related lease obligations are recorded in the balance sheet at the fair value of the leased assets at the inception of the leases. The excess of the lease payments over the recorded lease obligations is treated as a finance charge which is amortised over each lease term to give a constant rate of charge on the remaining balance of the obligation.

Rental costs under operating leases are charged to the income statement on a straight-line basis over the period of the leases.

(s) 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.

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2 Summary of Significant Accounting Policies (cont'd)

(s) Borrowings and Borrowing Costs (cont'd)

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.

(t) Employee Benefits

(i) Defined contribution plans

Contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

The 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.

(u) 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 projects

Revenue from projects is recognised as work progresses, using the percentage of completion method. The percentage of completion for a given project is determined with reference to the percentage of certified billings-to-date to the estimated total billings of the project.

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

(ii) Revenue from sale of goods

Revenue from sale of goods is recognised upon delivery of goods and acceptance by customers and collectibility of the related receivables is reasonably assured.

(iii) Revenue from maintenance services

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

2 Summary of Significant Accounting Policies (cont'd)

(u) Revenue Recognition (cont'd)

(iv) Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(v) Dividend income

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

(vi) Rental income

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

(vii) Service fee income

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

Group revenue excludes intercompany transactions.

(v) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associated companies except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

2 Summary of Significant Accounting Policies (cont'd)

(w) 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 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 transaction 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 date are recognised in the income statement except for currency translation differences on net investment in foreign entities.

(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:

(1) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(2) 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

(3) All resulting exchange differences are taken to the foreign currency translation reserve.

(x) 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.

(y) 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.

2 **Summary of Significant Accounting Policies (cont'd)**

(z) Discontinued Operation

A discontinued operation is a component of an entity that either has been disposed of or that is classified as held for sale and:

(i) represents a separate major line of business or geographical area of operation;

(ii) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

(iii) is a subsidiary acquired exclusively with a view to resale.

Results and cash flows attributable to a discontinued operation (including comparative figures) are presented or disclosed separately from continuing operations.

3 **Revenue**

	Group	
	2007	**2006**
	S$	**S$**
Revenue comprises the following:		
Sale of goods	122,014,277	115,352,002
Revenue from projects	1,280,984	3,017,340
Rendering of services	5,129,351	3,976,226
	128,424,612	122,345,568

4 **Other Operating Income**

	Group	
	2007	**2006**
	S$	**S$**
Dividend income from quoted investments	84,799	19,421
Fair value gains transferred from fair value reserve upon disposal of available-for-sale financial assets	150,477	–
Gain on disposal of available-for-sale financial assets	114,083	517,952
Gain on disposal of property, plant and equipment	633,553	222,728
Rental income	12,455	1,251
Service fee income	332,189	453,790
Secretarial and taxation fees	9,830	9,347
Other income	407,204	69,045
	1,744,590	1,293,534

5 Distribution and Selling Expenses

	Group	
	2007	**2006**
	S$	**S$**
The following items have been included in arriving at distribution and selling expenses:		
Bad trade receivables written off/(recovered)	4,682	(38,638)
Impairment of receivables – trade	463,290	22,118
Public relation expenses	215,560	7,721
Entertainment expenses	280,191	256,373
Travelling expenses	549,905	460,873

6 Administrative Expenses

	Group	
	2007	**2006**
	S$	**S$**
The following items have been included in arriving at administrative expenses:		
Non-audit fees paid to - auditors of the Company	–	1,500
Depreciation of property, plant and equipment	1,638,085	1,534,665
Directors' remuneration		
- directors of the Company	589,933	946,340
- directors of subsidiaries	849,074	1,246,157
Directors' fees		
- directors of the Company	109,335	77,000
Operating lease expenses	535,068	545,200
Impairment of inventories written (back)	(25,944)	126,177
Office and operation supplies expenses	407,995	224,638
Overseas exploration expenses	212,499	982,129
Professional fees	509,668	315,906
Staff costs	6,368,061	5,844,252

7 Other Operating Expenses

	Group	
	2007	**2006**
	S$	**S$**
The following items have been included in arriving at other operating expenses:		
Foreign exchange (gain)/loss (net)	(632,453)	998,997
Loss on disposal of subsidiaries	1,257,585	–
Property, plant and equipment written off	–	1,612
Goodwill written-off on disposal of subsidiaries	220,000	–

During the financial year, 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	
	2007	2006
	S$	S$
Wages, salaries and bonuses	5,878,137	5,231,505
Pension fund contributions	335,774	506,966
Other personnel expenses	154,150	105,781
Directors' remuneration	1,548,342	2,269,497
	7,916,403	8,113,749

Included in personnel expenses are the following amounts included as part of projects-in-progress and progress billings in excess of costs as disclosed in Note 22.

	Group	
	2007	2006
	S$	S$
Wages, salaries and bonuses	–	250,541
Pension fund contributions	–	–
Other project staff costs	–	–
	–	250,541
Key management personnel compensation is as follows:		
Services and other short-term employee benefits	–	1,373,270
Post employment benefits – contribution to CPF	–	79,690
	–	1,452,960

9 Finance Income

	Group	
	2007	2006
	S$	S$
Interest income		
- bank balances	342,335	231,733
- fixed deposits	104,404	34,494
	446,739	266,227

10 Finance Costs

	Group 2007 S$	Group 2006 S$
Interest expense		
- finance leases	3,140	–
- bank overdrafts	28,181	286,928
- bills payable to banks	2,477	644
- term loans	450,281	–
- trade creditor	–	4,201
	484,079	291,773
Bank charges	154,887	177,420
	638,966	469,193

11 Income Tax

	Group 2007 S$	Group 2006 S$
Current tax – continuing operations		
- current year	1,368,376	1,133,947
- under provision in respect of prior years	189,240	13,048
Deferred tax – continuing operations		
- current year	175,228	9,424
	1,732,844	1,156,419

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

	Group 2007 S$	Group 2006 S$
Profit before taxation	5,384,269	1,976,082
Tax at the applicable tax rate of 18% (2006: 20%)	969,168	395,216
Tax effect of non-deductible expenses	314,369	303,157
Tax effect of non-taxable income	(719,060)	(171,498)
Under provision in respect of prior years	189,240	13,048
Deferred tax asset not recognised	310,185	386,935
Utilisation of deferred tax asset not recognised in prior years	(23,921)	–
Effect of different tax rates in other countries	692,863	(57,901)
Others	–	287,462
	1,732,844	1,156,419

The Group

The Group has unutilised tax losses of approximately S$10,295,005 as at 30 June 2007 (2006: S$8,704,649) 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(v) 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 2006 S$	Disposal of subsidiaries S$	Debited/ (Credited) to income statement S$	At 30 June 2007 S$
2007				
Group				
Non-Current				
Deferred tax assets				
Provisions	(35,340)	–	(37,652)	(72,992)
Non-Current				
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

	At 1 July 2005 S$	Acquisition of a subsidiary S$	Disposal of subsidiaries S$	Debited/ (Credited) to income statement S$	At 30 June 2006 S$
2006					
Group					
Non-Current					
Deferred tax assets					
Provisions	(55,431)	–	–	20,091	(35,340)
Non-Current					
Deferred tax liabilities					
Property, plant and Equipment	363,921	–	–	133,980	497,901
Intangible assets	–	11,948,002	–	–	11,948,002
Others	174,721	–	(33,474)	(144,647)	(3,400)
	538,642	11,948,002	(33,474)	(10,667)	12,442,503
	483,211	11,948,002	(33,474)	9,424	12,407,163
Company					
Deferred tax liabilities					
Temporary differences	32,800	–	–	–	32,800

12 Discontinued Operations

In 2006, the Group disposed of four subsidiaries, namely Development Bank of Strike, Gordon (HK) Designer & Engineer Limited, Strike Construction Pte Ltd and Victrad Enterprise (Pte) Ltd. This represents a discontinuance of the Building, Electrical & Mechanical Engineering, Architecture and Design business segments of the Group. As such the results arising from these disposals are presented separately in the income statement as "Discontinued Operations". The sales were completed in 2006.

An analysis of the results from the discontinued operations for the year ended 30 June 2006 are as follows:

	Group	
	2007	**2006**
	S$	**S$**
Revenue	–	13,345,714
Cost of sales	–	(12,435,024)
Gross profit	–	910,690
Other operating income	–	74,555
Expenses	–	(1,094,029)
Finance costs	–	(3,162)
Loss from discontinued operations before tax	–	(111,946)
Income tax expense	–	–
Loss from discontinued operations after tax	–	(111,946)
Pre-tax loss of disposal group:		
Gain on disposal of investments in subsidiaries	–	419,018
Income tax expense	–	–
Post-tax gain of disposal group	–	419,018
Total profit from discontinued operations	–	307,072
Attributable to:		
Equity holders of the Company (Note 13)	–	491,434
Minority interest	–	(184,362)
	–	307,072

The impact of the discontinued operations on the cash flows of the Group is as follows:

Operating cash flows	–	(1,295,194)
Investing cash flows	–	(1,808,563)
Financing cash flows	–	(14,699)
Total cash flows	–	(3,118,456)

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

Loss before taxation	–	(111,946)
Tax at the applicable tax rate of 18% (2006: 20%)	–	(22,389)
Tax effect of non-deductible expenses	–	22,389
	–	–

13 Earnings/Loss per Share

(a) Continuing Operations

Basic earnings per share from continuing operations is calculated by dividing the Group profit from continuing operations attributable to shareholders of S$956,037 (2006: loss of S$1,345,789) by the weighted average number of shares in issue during the year of 1,626,643,022 shares (2006: weighted average of 1,164,620,765 shares).

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

As at 30 June 2006, diluted earnings/loss per share from continuing operations is the same as basic earnings per share from continuing operations as the potential ordinary shares were anti-dilutive and would decrease loss per share as at 30 June 2006, therefore, the effect of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings/loss as per share.

(b) Discontinued Operations

Basic earnings per share from discontinued operations is calculated by dividing the Group profit from discontinued operations attributable to shareholders of S$Nil (2006: profit of S$491,434) by the weighted average number of shares in issue during the year of 1,626,643,022 shares (2006: weighted average of 1,164,620,765 shares).

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

As at 30 June 2006, diluted earnings per share from discontinued operations is the same as basic earnings per share from discontinued operations as the potential ordinary shares were anti-dilutive and would decrease loss per share, therefore, the effect of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings/loss as per share.

The effect of changes in accounting policies on the basic and diluted earnings per share is not significant.

14 Property, Plant and Equipment

	At Cost										At valuation		
	Freehold Land & Properties	Leasehold Properties	Leasehold buildings & improvements	Machinery, tools & equipment	Oil & Gas properties	Motor vehicles	Computers	Office equipment	Furniture & fittings	Renovation	Freehold Building	Freehold Land & properties	Total
	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$
2007													
Group													
Cost or Valuation													
As at 1.7.2006	1,232,005	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	19,335,900	66,193	2,970	5,096	–	–	–	–	19,715,414
Disposals/write off	–	–	–	(1,104,220)	–	(417,769)	(57,485)	(17,185)	(75,451)	(52,248)	–	–	(1,724,358)
Translation differences	23,785	–	(8,964)	(376,356)	480,122	(27,889)	(33,026)	(3,040)	1,656	–	–	–	56,288
As at 30.6.2007	1,255,790	–	334,483	9,956,243	23,437,622	1,041,803	792,347	78,920	627,528	31,435	–	–	37,556,171
Accumulated depreciation													
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	1,541,259	143,603	64,551	7,850	40,478	5,239	–	–	3,212,656
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)	171,875	(12,103)	(15,259)	1,281	(2,836)	–	–	–	(226,375)
As at 30.6.2007	83,468	–	316,707	5,924,545	1,713,134	403,877	677,861	54,586	425,411	5,240	–	–	9,604,829
Net book value													
As at 30.6.2007	1,172,322	–	17,776	4,031,698	21,724,488	637,926	114,486	24,334	202,117	26,195	–	–	27,951,342

14 Property, Plant and Equipment (cont'd)

	At Cost										At valuation		
	Freehold Land & Properties	Leasehold Properties	Leasehold buildings & improvements	Machinery, tools & equipment	Oil & Gas properties	Motor vehicles	Computers	Office equipment	Furniture & fittings	Renovation	Freehold Building	Freehold Land & properties	Total
	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$	S$
2006													
Group													
Cost or Valuation													
As at 1.7.2005	1,298,675	818,914	345,159	8,132,828	–	2,039,393	1,094,973	829,628	650,038	121,050	255,000	7,019,592	22,605,250
Additions	–	–	–	2,260,886	–	390,518	93,626	12,141	100,734	–	–	–	2,857,905
Attributable to disposal of subsidiaries	–	–	–	(176,191)	–	(600,199)	(67,041)	(685,134)	(35,071)	(68,802)	(255,000)	(1,145,000)	(3,032,438)
Disposals/write off	–	(249,762)	(983)	(196,220)	–	(581,164)	(81,487)	(30,681)	(14,338)	–	–	(5,874,592)	(7,029,227)
Currency realignment	(66,670)	–	(729)	(93,917)	–	(12,258)	(3,077)	(13,385)	(7,018)	–	–	–	(197,054)
As at 30.6.2006	1,232,005	569,152	343,447	9,927,386	–	1,236,290	1,036,994	112,569	694,345	52,248	–	–	15,204,436
Accumulated depreciation													
As at 1.7.2005	59,123	782,375	306,039	4,502,492	–	1,199,719	797,159	755,485	538,906	90,974	5,000	2,389,592	11,426,864
Charge for the year	11,806	5,763	12,030	1,230,687	–	195,595	98,369	8,538	34,012	7,176	3,750	50	1,607,776
Attributable to disposal of subsidiaries	–	–	–	(99,385)	–	(223,383)	(45,792)	(643,113)	(27,695)	(68,228)	(8,750)	(15,000)	(1,131,346)
Disposals/write off	–	(218,986)	(983)	(92,117)	–	(409,656)	(79,730)	(30,681)	(15,332)	–	–	(2,374,642)	(3,222,127)
Currency realignment	(2,908)	–	(536)	(6,271)	–	(6,713)	(1,521)	(12,450)	(3,249)	–	–	–	(33,648)
As at 30.6.2006	68,021	569,152	316,550	5,535,406	–	755,562	768,485	77,779	526,642	29,922	–	–	8,647,519
Net book value													
As at 30.6.2006	1,163,984	–	26,897	4,391,980	–	480,728	268,509	34,790	167,703	22,326	–	–	6,556,917

14 Property, Plant and Equipment (cont'd)

	At Cost							At Valuation	
	Leasehold Properties S$	Machinery, tools & equipment S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture & fittings S$	Renovation S$	Freehold properties S$	Total S$
2007									
Company									
Cost or Valuation									
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
Disposal	–	(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
Disposal	–	(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
2006									
Company									
Cost or Valuation									
As at 1.7.2005	249,762	49,025	381,242	84,861	26,730	71,774	52,248	5,874,592	6,790,234
Additions	–	–	–	6,766	457	572	–	–	7,795
Disposal	(249,762)	(30,975)	(87,066)	(26,371)	(9,544)	(6,720)	–	(5,874,592)	(6,285,030)
As at 30.6.2006	–	18,050	294,176	65,256	17,643	65,626	52,248	–	512,999
Accumulated depreciation									
As at 1.7.2005	213,222	47,120	294,458	66,913	16,176	66,708	23,066	2,374,592	3,102,255
Charge for the year	5,764	1,266	23,681	10,883	1,743	1,817	6,856	50	52,060
Disposal	(218,986)	(30,975)	(62,697)	(26,371)	(9,544)	(6,583)	–	(2,374,642)	(2,729,798)
As at 30.6.2006	–	17,411	255,442	51,425	8,375	61,942	29,922	–	424,517
Net book value									
As at 30.6.2006	–	639	38,734	13,831	9,268	3,684	22,326	–	88,482

Group

As at 30 June 2007, the Group had motor vehicles under finance leases with a net book value of approximately S$227,522 (2006: S$306,962).

15 Investments in Subsidiaries

(a) Interests in subsidiaries comprise:

	Company 2007 S$	Company 2006 S$
Unquoted equity shares at cost	14,467,307	23,515,995
Additional investment in subsidiaries	128,853	2,110
Disposal of subsidiaries	–	(9,050,798)
	14,596,160	14,467,307
Less: Impairment loss	(510,000)	(510,000)
	14,086,160	13,957,307
Movements in impairment loss of investment in subsidiaries during the year are as follows:		
At beginning of year	(510,000)	(7,118,068)
Reversal upon disposal of subsidiaries	–	6,608,068
At end of year	(510,000)	(510,000)

(b) The Company and the Group had the following subsidiaries as at 30 June 2007:

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective equity interest held by the Group 2007 %	Effective equity interest held by the Group 2006 %
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	Property development	Singapore	51.00	51.00
Green Heritage Overseas Ltd [1]	Investment holding	British Virgin Islands	100.00	–
Bridging Resources Ltd [1]	Investment holding	British Virgin Islands	100.00	–
APAC Coal Limited [8]	Investment holding and engaging in exploration and evaluation of mineral resources	Australia	100.00	–

15 Investments in Subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June 2007 (cont'd):

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective equity interest held by the Group 2007 %	2006 %
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	Market chemicals, equipment and other petro-chemical related products to refineries	Singapore	54.35	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
Wilmax Control Systems Pte Ltd [6]	Fabrication of control systems, installation and testing of valve actuation	Singapore	–	27.72
Citation Exploration Services Pte Ltd	Provision of drilling services to mining industry	Singapore	27.72	27.72
Held by Mid-Continent Environmental Project Pte Ltd				
Plant Tech Mid-Continent Industrial Services Pte Ltd [7,8]	Catalyst handling and reactor maintenance; hot-tapping and allied services; and bolt tensioning services	Singapore	27.18	27.18
Held by Wilmax Control Systems Pte Ltd				
Wilmax Engineering Pte Ltd [6]	Designing and fabrication of skid mounted process system and aviation refueling system	Singapore	–	19.68
Peninsular Offshore Systems Sdn Bhd [6]	Supply of oilfield equipment and provision of related services	Malaysia	–	14.14

15 Investments in Subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June 2007 (cont'd):

Name of Company	Principal Activities	Place of Incorporation/ Business	Effective equity interest held by the Group 2007 %	2006 %
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	–
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	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	–

The above subsidiaries are audited by Moore Stephens, 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 Audited by Certified Public Accounting Firm, BKD LLP USA.
5 Not audited as the subsidiary is considered not significant to the Group.
6 Not audited as the subsidiaries were disposed of during the year.
7 The entity is considered a subsidiary as the Group has power to govern the financial and operating policies of this entity.
8 Not audited as the subsidiary is dormant.

On 13 October 2006, the Company completed the acquisition of 75% of the share capital of Songyuan Yongda Oilfields Exploration & Technology Co., Ltd for a cash consideration of S$26.6 million.

The acquired subsidiary contributed revenue of S$9,664,669 and net profit of S$1,532,736 to the Group for the period from 1 September 2006 to 30 June 2007.

Fair value of identifiable net assets at the date of aquisition amounted to S$10,591,568, excluding minority interests, resulting in goodwill on acquisition of S$15,945,736.

Details of identifiable net assets acquired are disclosed in cash flow statement note D.

16 Investments in Associated Companies

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

	Group 2007 S$	Group 2006 S$
Unquoted equity shares, at cost	22,350	22,350
Balance at 1 July	68,425	8,298
Share of post-acquisition (losses)/profits	(8,738)	60,127
Currency realignment	(3,287)	–
Balance at 30 June	56,400	68,425

	Group 2007 S$	Group 2006 S$
The summarised financial information of associated companies are as follows:		
- Assets	1,785,613	2,126,072
- Liabilities	1,275,526	1,658,365
- Revenues	3,956,640	5,898,509
- Net profit/(loss)	74,633	(129,650)

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

Name of Company, Country of incorporation and Place of Business	Principal Activities	Cost of investment 2007 S$	Cost of investment 2006 S$	Effective equity interest held by the Group 2007 %	Effective equity interest held by the Group 2006 %
Held by Mid-Continent Equipment Group Pte Ltd					
Mohebi – Midcontinent Oildfield 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.

17 Investments in Joint Venture Entities

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

Name of Company, Country of incorporation and Place of Business	Principal Activities	Effective equity interest held by the Group 2007 %	2006 %
Mid-Continent Tubular Pte Ltd Singapore	Trading of oilwell tubular products and the provision of related services	27.18	27.18
Plant Tech Mid-Continent (India) Pvt. Ltd. India	Provision of management, training, technical expertise in the field of tank cleaning and crude oil sludge liquid treatment	27.18	–

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	
	2007 S$	2006 S$
Plant & Equipment	147,303	11,658
Available-for-sale financial assets	708,463	273,152
Current assets	18,439,999	28,985,392
Current liabilities	(9,822,610)	(21,680,120)
Deferred taxation	(843)	(865)
	9,472,312	7,589,217

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

	Group	
	2007 S$	2006 S$
Revenue	53,741,427	51,335,425
Profit before income tax	2,226,969	3,333,047
Income tax expense	(410,095)	(639,175)
Profit for the financial year	1,816,874	2,693,872

18 Goodwill

	Group	
	2007	**2006**
	S$	**S$**
Cost		
Balance at 1 July	9,338,596	1,855,703
Acquisition of a subsidiary	15,945,736	7,548,893
Additional payment made for PT Deefu Chemical Indonesia	318,600	–
Disposal of shares in subsidiaries	(220,000)	(66,000)
Fair value adjustments to the purchase consideration payable	309,819	–
Balance at 30 June	25,692,751	9,338,596

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	
	2007	**2006**
	S$	**S$**
Mid-Continent Equipment Group Pte Ltd	1,569,703	1,789,703
PT Deefu Chemical Indonesia	8,177,312	7,548,893
Songyuan Yongda Oilfield Explorations Ltd. & Technology Co., Ltd.	15,945,736	–
	25,692,751	9,338,596

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.

For Mid-Continent Equipment Group Pte Ltd, the Group 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 growth of 5.0% per annum (2006: 2.8%). The rate used to discount the forecast cash flows of the CGU was 2.2% (2006: 2.8%).

PT Deefu Chemical Indonesia has not commenced operations as at 30 June 2007. Thus, the directors use the same inputs for the variables as at 30 June 2006 in the Modern Asset Pricing Model [Note 40(d)] to arrive at 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 2007.

Goodwill relating to the newly acquired subsidiary Songyuan Yongda Oilfields Exploration & Technology Co., Ltd, was determined from the net assets and liabilities recorded as at acquisition date. 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 twelve years, being the remaining life of the oil concession rights, using an annual depletion rate of 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 2.2%.

Management believes that the carrying amount of goodwill is not more than its recoverable amount.

19 Intangible Assets

	Group 2007 S$	Group 2006 S$
Cost		
- 25% participating interest for the exploration of an area covered by the Petroleum Exploration Licence 101 granted under the Petroleum Act 2000 of South Australia	2,396,000	2,396,000
- 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
- Exploration and evaluation expenditure incurred for the exploration and evaluation of coal of the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia	532,883	–
Currency realignment	107,875	–
Total	44,959,571	44,318,813

As at 30 June 2007, the Group has not commenced mining operations relating to the coal concession rights.

20 Available-for-Sale Financial Assets

	Group		Company	
	2007 S$	2006 S$	2007 S$	2006 S$
Quoted Equity Shares				
Balance at 1 July				
At cost	4,603,922	4,053,448	1,551,001	1,551,001
Fair value (loss)/gains recognised in equity	(97,244)	–	80,844	–
	4,506,678	4,053,448	1,631,845	1,551,001
- Effect of adopting FRS 39	–	71,120	–	126,668
Adjusted balance at 1 July	4,506,678	4,124,568	1,631,845	1,677,669
Additions	5,900,552	2,438,385	1,921,370	–
Disposals	(6,734,864)	(1,863,201)	(1,645,327)	–
Reversal of fair value gains on disposal	(150,477)	–	(80,844)	–
Currency realignment	(10,093)	(24,710)	–	–
Fair value gains/(loss) transferred to equity	386,819	(168,364)	(31,419)	(45,824)
Balance at 30 June	3,898,615	4,506,678	1,795,625	1,631,845

21 Inventories

	Group 2007 S$	Group 2006 S$	Company 2007 S$	Company 2006 S$
Finished goods	13,329,614	21,797,667	–	–
Work-in-progress	102,044	2,679,928	–	–
Goods-in-transit	1,076,211	1,468,740	–	–
	14,507,869	25,946,335	–	–
Cost of inventories recognised as expense and included in Cost of Sales amounted to:	99,657,788	101,686,201	–	240,927

Impairment of inventories were written back as the inventories were sold above carrying amounts in financial year 2007.

22 Projects-in-Progress/Progress Billings in Excess of Costs

	Group 2007 S$	Group 2006 S$	Company 2007 S$	Company 2006 S$
Projects-in-progress				
Project costs	5,335,203	2,701,880	5,335,203	2,701,880
Attributable losses	(199,513)	–	(199,513)	–
	5,135,690	2,701,880	5,135,690	2,701,880
Less: Progress billings Received and receivable	(5,135,690)	(2,572,966)	(5,135,690)	(2,572,966)
	–	128,914	–	128,914
Analysis of provision for foreseeable project losses:				
Balance at beginning of year	–	590,314	–	–
Charge during the year	–	–	–	173,277
Completion of projects	–	(173,277)	–	(173,277)
Attributable to disposal of subsidiaries	–	(417,037)	–	–
	–	–	–	–
Progress billings in excess at costs				
Progress billings Received and receivable	–	9,183,017	–	9,183,017
Less: Project costs	–	(8,170,091)	–	(8,170,091)
Less: Attributable profits	–	199,514	–	199,514
	–	1,212,440	–	1,212,440

23 Trade Receivables

	Group		Company	
	2007	**2006**	**2007**	**2006**
	S$	**S$**	**S$**	**S$**
Trade receivables	15,287,741	22,621,285	94,500	105
Less: Impairment losses	(481,155)	(149,100)	–	–
	14,806,586	22,472,185	94,500	105
Trade receivables are denominated in the following currencies:				
Singapore dollar	94,500	22,355	94,500	105
United States dollar	8,486,578	19,242,095	–	–
China renminbi	1,931,438	–	–	–
Australia dollar	4,281,480	3,207,735	–	–
Others	12,590	–	–	–
	14,806,586	22,472,185	94,500	105

24 Other Receivables, Deposits and Prepayments

	Group		Company	
	2007	**2006**	**2007**	**2006**
	S$	**S$**	**S$**	**S$**
Other receivables	1,834,334	1,924,859	156,701	600,353
Proceeds due from purchasers on the disposal of subsidiaries	335,222	2,345,232	335,222	2,345,232
Deposits	895,146	55,926	29,386	55,926
Prepayments	272,139	11,029	734	11,029
Interest receivable	1,077	18,843	1,077	18,843
Advances to staff	7,465	–	–	–
Tax recoverable	305,762	256,565	500,753	525,996
	3,651,145	4,612,454	1,023,873	3,557,379
Other receivables are denominated in the following currencies:				
Singapore dollar	707,725	3,366,873	688,651	3,147,157
United States dollar	2,043,841	814,118	–	–
China renminbi	77,735	–	–	–
Australia dollar	128,518	21,241	–	–
Hong Kong dollar	335,222	410,222	335,222	410,222
Others	358,104	–	–	–
	3,651,145	4,612,454	1,023,873	3,557,379

25 Related Companies/Parties Balances

	Group		Company	
	2007	**2006**	**2007**	**2006**
	S$	**S$**	**S$**	**S$**
Minority shareholders of subsidiaries				
Due from – India rupee (non-trade)	–	101,660	–	–
Due from – United States dollar (non-trade)	8,160	–	–	–
	8,160	101,660	–	–
Due to – Singapore dollar (non-trade)	–	(8,860)	–	–
The amounts due are denominated in the following currencies:				
Subsidiaries				
Due from - Singapore dollar (non-trade)	–	–	45,429,613	18,000,760
Due from – United States dollar (non-trade)	–	–	441,484	–
Due from – Australia dollar (non-trade)	–	–	56,484	–
	–	–	45,927,581	18,000,760
Associated companies				
Due from - Singapore dollar (trade)	–	756,631	–	–
Due from – United States dollar (non-trade)	589,131	–	–	–
Due from – United States dollar (trade)	193,245	–	–	–
	782,376	756,631	–	–
Due to – United States dollar (trade)	(23,955)	–	–	–
Related parties				
Due from - Singapore dollar (non-trade)	–	154,098	–	–
Due from - United States dollar (trade)	27,581	–	–	–
	27,581	154,098	–	–
Due to – Singapore dollar (non-trade)	–	(49,000)	–	–
Due to – United States dollar (trade)	(1,476,215)	(11,811,010)	–	–
	(1,476,215)	(11,860,010)	–	–
Joint venture entities				
Due from - Singapore dollar (trade)	4,965	220,199	–	–
Due from - United States dollar (non-trade)	78,074	154	–	–
	83,039	220,353	–	–
Due to – United States dollar (trade)	(3,888,746)	(6,243,783)	–	–

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

26 Cash and Bank Balances

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
Cash and bank balances	4,569,456	5,228,245	76,918	540,427
Fixed deposits	9,905,171	21,015,082	1,681,746	14,874,000
	14,474,627	26,243,327	1,758,664	15,414,427

Fixed deposits bears interest ranging from 0.4% to 6.6% (2006: 0.7% to 4.3%) per annum.

A subsidiary's fixed deposits of S$8,223,425 (2006: S$6,106,278) are pledged as security to certain banks for credit facilities granted to various subsidiaries. The credit facilities of US$2,000,000 (2006: US$2,000,000) and US$650,000 (2006: US$650,000) are unutilised as at year end.

The remaining fixed deposits of the Group of S$1,681,746 (2006: S$14,908,804) and the Company's fixed deposits of S$1,681,746 (2006: S$14,874,000) are free from encumbrances.

Fixed deposits at the balance sheet date have an average maturity of up to 12 months (2006: 12 months) from the end of the financial year.

Cash and cash equivalents are denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
United States dollar	5,719,154	5,220,993	–	–
Singapore dollar	4,585,925	19,929,402	1,758,664	15,414,427
Australia dollar	3,368,488	189,701	–	–
Malaysia ringgit	–	271,259	–	–
Euro	–	507,079	–	–
China renminbi	424,042	–	–	–
Others	377,018	124,893	–	–
	14,474,627	26,243,327	1,758,664	15,414,427

27 Trade Payables

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
Trade payables are denominated in the following currencies:				
Singapore dollar	137,000	249,087	137,000	241,547
United States dollar	8,335,583	14,459,252	–	–
China renminbi	3,587,097	–	–	–
Australia dollar	773,734	1,255,783	–	–
	12,833,414	15,964,122	137,000	241,547

28 Other Payables and Accruals

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
Other payables	572,644	34,470	56,613	34,470
Amount payable in relation to acquisition of a subsidiary	13,302,921	13,229,561	–	–
Accrued operating expenses	884,620	161,273	202,217	112,452
Revenue received in advance	452,700	–	–	–
	15,212,885	13,425,304	258,830	146,922
Less: Non-current portion of amount payable in relation to acquisition of subsidiary	(1,937,304)	(5,705,056)	–	–
	13,275,581	7,720,248	258,830	146,922

	Group		Company	
Other payables and accruals are denominated in the following currencies:				
Singapore dollar	3,716,131	193,278	258,830	146,922
United States dollar	10,244,315	13,229,561	–	–
China renminbi	1,160,482	–	–	–
Australia dollar	44,766	–	–	–
Others	47,191	2,465	–	–
	15,212,885	13,425,304	258,830	146,922

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 3.2363% per annum. The current portion of amount payable is within 12 months from the balance sheet date.

In the financial year 2006, the non-current portion of amount payable relates to the deferred consideration payable for the acquisition of subsidiary PT Deefu Chemical Indonesia. The amount payable was stated at fair value and amortised at an effective interest rate of 3.2825% per annum. The current portion of amount payable is within 12 months from the balance sheet date.

29 Short-term Borrowings

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
Bank borrowings – (i)	3,140,600	3,222,600	–	–
Bank borrowings – (ii)	2,112,600	–	–	–
Bank borrowings – (iii)	209,472	–	–	–
Bills payable to bank – (iv)	–	772,333	–	454,762
Trust receipts – (i)	580,850	–	–	–
	6,043,522	3,994,933	–	454,762

(i) The short-term bank loan and trust receipts from a joint venture entity are denominated in United States dollar and bear interest ranging from 5.76% - 6.32% (2006: 6.30%) per annum. This loan is secured on a letter of guarantee from a subsidiary company and a first fixed charge and first floating charge on all available-for-sale financial assets, receivables, inventories, and bank balances of the joint venture entity.

29 Short-term Borrowings (cont'd)

(ii) The term loan of S$2,112,600 (RMB10,500,000) from a subsidiary is denominated in China renminbi, bears interests at 5.76% (2006: nil) per annum and is repayable by June 2008. The loan is secured by:-

- a first priority fixed charge over the debt service account;
- assignment of net proceeds from the crude oil production sales;

(iii) The short-term loan of S$209,472 from 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 company in India;
- a first floating charge on all its undertaking, other property, assets and rights of a joint venture entity in Singapore.

(iv) The effective interest rates of the bills payable in prior year ranged from 3.5625% to 6.39% per annum.

The bills payable to banks were denominated in the following currencies:

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
United States dollar	–	454,762	–	–
Singapore dollar	–	317,571	–	454,762
	–	772,333	–	454,762

30 Finance Lease Obligations

Group	Minimum payments S$	Interest S$	Present value of payments S$
<u>2007</u>			
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
<u>2006</u>			
Within 1 year	39,967	(3,300)	36,667
1 year to 5 years	66,611	(5,500)	61,111
	106,578	(8,800)	97,778

The effective interest rate of these leases is 6.016% (2006: 4.505% to 5.680%) per annum.

31 Bank Overdrafts

The effective interest rates of the unsecured bank overdrafts ranged from 6.00% to 8.25% per annum.

The bank overdrafts were denominated in United States dollar.

32 Share Capital

	Group and Company			
	2007		2006	
	No of shares	S$	No of shares	S$
Ordinary shares issued and fully paid:				
Balance at 1 July	1,544,456,475	89,991,816	1,149,484,200	57,474,210
Issuance of 13,184 ordinary shares upon exercise of Warrants 2006	–	–	13,184	1,740
Issuance of 228,000,000 ordinary shares at S$0.0857 each via private placement	–	–	228,000,000	19,539,600
Issuance of 166,959,091 ordinary shares at S$0.055 each as partial satisfaction for the acquisition of shares in PT Deefu Chemical Indonesia	–	–	166,959,091	9,182,750
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	–	–
Transfer from share premium	–	–	–	3,842
Transfer from capital reserve being the net proceeds from outstanding Warrants 2006 which expired on 5 April 2006	–	–	–	3,789,674
Balance at 30 June	1,688,678,060	105,091,816	1,544,456,475	89,991,816

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.

33 Reserves

	Group		Company	
	2007	2006	2007	2006
	S$	S$	S$	S$
Capital reserve (a)	–	45,608	–	–
Fair value reserve (b)	65,380	(97,244)	(31,419)	80,844
Translation reserve (c)	(396,787)	(439,055)	–	–
Revenue reserves	(35,077,357)	(36,033,394)	(40,515,768)	(39,381,912)
	(35,408,764)	(36,524,085)	(40,547,187)	(39,301,068)

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

(a) Capital Reserve

The capital reserve relates to the capitalisation of revenue reserve upon the issuance of bonus shares by a subsidiary.

(b) Fair Value Reserve

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.

34 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	
	2007	**2006**
	S$	**S$**
Within 1 year	381,488	220,960
After 1 year but not more than 5 years	28,383	180,315
	409,871	401,275

35 Contingent Liabilities (unsecured)

Contingent liabilities not provided for in the financial statements:

	Group		Company	
	2007	**2006**	**2007**	**2006**
	S$	**S$**	**S$**	**S$**
Product warranty	135,200	135,200	135,200	135,200
Performance bonds indemnity	3,481,666	3,294,960	2,890,708	3,294,960
	3,616,866	3,430,160	3,025,908	3,430,160

36 Capital Commitments

	Group	
	2007	**2006**
	S$	**S$**
Capital expenditure not provided for in the financial statements		
- commitments in respect of contracts placed	–	1,065,843

37 Subsequent Events

The following are the events that occurred after the balance sheet date:

(a) On 10 August 2007, the Company issued and allotted 70 million new ordinary shares at $0.163 each to finance part of the purchase consideration for the Group's acquisition of PT Deefu Chemical Indonesia amounting to approximately S$4.55 million and the Group's general working capital requirements. Consequently, the issued and paid up ordinary share capital of the Company was increased to S$116,501,816 comprising 1,758,678,060 ordinary shares.

(b) In early 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 transfer of an invalid oil concession right to explore an oilfield located west of Song Yuan city in Jilin Province ("Oil Concession Right"). Prior to the suit, the Plaintiff has ceased servicing the outstanding principal loan of RMB 10.5 million due to the Defendant granted for the purpose of acquiring the Oil Concession Right and financing the exploration activities in the oilfield located west of Song Yuan city in Jilin Province ("Financing Activities").

The suit was heard in the High Court on 6 August 2007. The Defendant refuted the claim. The suit is pending High Court's decision.

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 Song Yuan city in Jilin Province, continue to service the outstanding principal loan of RMB 10.5 million due to the Defendant and the interest thereon.

Accordingly, no provision for impairment of the Oil Concession Right has been made in the financial statements.

Separately, on 10 August 2007, the Defendant filed a suit in Song Yuan City Court ("City Court") against the Plaintiff for default in servicing the outstanding principal loan of RMB 10.5 million due to the Defendant and the interest thereon. The overdue principal and interest payments as at 30 June 2007 amounted to approximately RMB 4,665,633, which were properly accounted for. The Defendant has also claimed for damages, costs and expenses of approximately RMB 720,000 which is subject to court ruling. The suit was heard on 17 September 2007. The suit is pending City Court's decision and the related claims and damages could not be determined at the date of this report.

38 Segment Information

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

(a) *Business Segments*

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

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

Latest year 30/06/2007	Continuing operations								Discontinued operations					Total operations
	Electrical engineering	Building and mechanical engineering	Property development	Oilfield equipment supply and services	Crude oil production	Others	Eliminat-ions	Sub-Total	Electrical engineering	Building and mechanical engineering	Architecture and design	Eliminat-ions	Sub-Total	
Revenue & Results	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	1,281	–	–	117,479	9,665	–	–	128,425	–	–	–	–	–	128,425
Inter-segment revenue	–	–	–	–	–	–	–	–	–	–	–	–	–	–
(Loss) profit from operations	–	–	–	6,583	1,628	(572)	–	7,639	–	–	–	–	–	7,639
Financial costs								(639)						(639)
Finance income								446						446
Share of results of associated companies								(9)						(9)
Unallocated corporate expenses								(2,053)						(2,053)
Tax								(1,733)						(1,733)
Minority interests								(2,695)						(2,695)
Loss attributable to shareholders								956						956

38 Segment Information (cont'd)

(a) *Business Segments (cont'd)*

Latest year 30/06/2007	Continuing operations								Discontinued operations					Total operations
	Electrical engineering	Building and mechanical engineering	Property development	Oilfield equipment supply and services	Crude oil production	Others	Eliminat-ions	Sub-Total	Electrical engineering	Building and mechanical engineering	Architecture and design	Eliminat-ions	Sub-Total	
Other information	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Assets	4,935	–	–	50,641	40,836	9,601	–	106,013	–	–	–	–	–	106,013
Intangible assets	–	–	–	2,504	–	42,456	–	44,960	–	–	–	–	–	44,960
Total assets	4,935	–	–	53,145	40,836	52,057	–	150,973	–	–	–	–	–	150,973
Liabilities	(420)	–	–	(18,851)	(6,860)	(13,405)	–	(39,536)	–	–	–	–	–	(39,536)
Unallocated liabilities								(13,700)						(13,700)
Total liabilities								(53,236)						(53,236)
Capital expenditure	338	–	–	1,283	3,966	40	–	5,627	–	–	–	–	–	5,627
Depreciation and amortisation	56	–	–	1,571	1,583	3	–	3,213	–	–	–	–	–	3,213
Other non-cash items	(72)	–	–	2,666	1,697	55	–	4,346	–	–	–	–	–	4,346

38 Segment Information (cont'd)

(a) *Business Segments (cont'd)*

Previous year 30/06/2006	Continuing operations							Discontinued operations					Total operations
	Electrical engineering	Building and mechanical engineering	Property development	Oilfield equipment supply and services	Others	Eliminat-ions	Sub-Total	Electrical engineering	Building and mechanical engineering	Architecture and design	Eliminat-ions	Sub-Total	
Revenue & Results	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue	3,043	–	–	119,303	–	–	122,346	3,444	9,665	236	–	13,345	135,691
Inter-segment revenue	235	–	–	–	–	(235)	–	–	4,414	–	(4,414)	–	–
(Loss) profit from operations	(1,499)	–	(43)	5,398	(578)	–	3,278	(55)	287	79	–	311	3,589
Financial costs							(469)					(3)	(472)
Finance income							266					–	266
Share of results of associated companies							60					–	60
Unallocated corporate expenses							(1,159)					–	(1,159)
Tax							(1,157)					–	(1,157)
Minority interests							(2,165)					184	(1,981)
Loss attributable to shareholders							(1,346)					492	(854)
Other information													
Assets	20,549	–	52	69,775	10,766	–	101,142	–	–	–	–	–	101,142
Intangible assets	–	–	–	2,396	41,923	–	44,319	–	–	–	–	–	44,319
Total assets	20,549	–	52	72,171	52,689	–	145,461	–	–	–	–	–	145,461
Liabilities	(2,055)	–	(51)	(37,698)	(13,235)	–	(53,039)	–	–	–	–	–	(53,039)
Unallocated liabilities							(13,733)						(13,733)
Total liabilities							(66,772)						(66,772)
Capital expenditure	8	–	–	2,803	–	–	2,811	12	35	–	–	47	2,858
Depreciation and amortisation	52	–	–	1,483	–	–	1,535	17	48	8	–	73	1,608
Other non-cash items	(1,164)	–	–	348	278	–	(538)	190	532	3	–	725	187

38 Segment Information (cont'd)

(b) Geographical Segments

	Singapore		Australia		Malaysia		Indonesia		China		Others		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Revenue	41,345	53,000	42,240	31,660	2,522	11,348	5,699	4,391	11,618	1,482	25,001	33,810	128,425	135,691
Less: Revenue attributable to discontinued operations	–	(13,109)	–	–	–	–	–	–	–	(237)	–	–	–	(13,346)
Revenue from continuing operations	41,345	39,891	42,240	31,660	2,522	11,348	5,699	4,391	11,618	1,245	25,001	33,810	128,425	122,345
Total Assets	43,486	76,617	13,585	11,381	–	3,829	51,043	52,689	41,758	529	1,101	415	150,973	145,460
Capital Expenditure	451	804	410	1,743	–	21	40	–	4,571	140	155	150	5,627	2,858

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.

39 Financial Instruments

(a) Financial Risk Management and Policies

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

(i) Interest rate risk

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

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

The tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual re-pricing 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$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Group						
At 30 June 2007						
Assets						
Cash and cash equivalents	9,905	–	–	–	4,570	14,475
Trade and other receivables	–	–	–	–	18,393	18,393
Other financial assets	–	–	–	–	15,409	15,409
Non-financial assets	–	–	–	–	102,696	102,696
Total Assets	9,905	–	–	–	141,068	150,973
Liabilities						
Trade and other payables	–	–	–	–	28,046	28,046
Short-term borrowings	5,253	–	581	209	–	6,043
Lease obligations	35	23	–	–	–	58
Other financial liabilities	–	–	–	–	6,465	6,465
Non-financial liabilities	–	–	–	–	12,624	12,624
Total Liabilities	5,288	23	581	209	47,135	53,236

39 Financial Instruments (cont'd)

(a) Financial Risk Management and Policies (cont'd)

(i) Interest rate risk (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$'000	S$'000	S$'000	S$'000	S$'000	S$'000
Group						
At 30 June 2006						
Assets						
Cash and cash equivalents	21,015	–	–	–	5,228	26,243
Trade and other receivables	–	–	–	–	27,065	27,065
Other financial assets	–	–	–	–	31,815	31,815
Non-financial assets	–	–	–	–	60,338	60,338
Total Assets	21,015	–	–	–	124,446	145,461
Liabilities						
Trade and other payables	–	–	–	–	29,389	29,389
Short-term borrowings	3,223	–	772	–	–	3,995
Bank overdrafts	233	–	–	–	–	233
Lease obligations	37	61	–	–	–	98
Other financial liabilities	–	–	–	–	20,615	20,615
Non-financial liabilities	–	–	–	–	12,442	12,442
Total Liabilities	3,493	61	772	–	62,446	66,772

(ii) Liquidity risk

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

(iii) Credit risk

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

The Group has no significant concentration of credit risk.

(iv) Foreign currency risk

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

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

39 Financial Instruments (cont'd)

(b) 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, asset held for sale, trade and other current receivables and trade and other current payables 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.

40 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. No impairment loss of the above-mentioned assets has been recognised for the financial year ended 30 June 2007.

(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.

(c) 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 2007 was S$25,692,751 (2006: S$9,338,596). Further details are given in Note 18.

40 Critical Accounting, Estimates and Judgements (cont'd)

(d) Valuation of Coal Concession Rights

The directors of the Group valued the coal concession rights (Note 19) using a Model 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 2007, the Group has not commenced mining operations. Conservatively, the Group used the same inputs for the variables as at 30 June 2006 in this model to arrive at the estimated value of coal concession rights which include:

- 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 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.

(e) Valuation of Petroleum Exploration Rights

The petroleum exploration rights represent the Group's contribution to the 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 it necessary to assess for the impairment of the intangible asset as at year end.

(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.

(g) 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.

41 Authorisation of Financial Statements

The financial statements for the year ended 30 June 2007 were authorised for issue in accordance with a resolution of the directors on date of the Statement by Directors.

42 Comparatives

The following comparative figures have been reclassified to conform with the current year's presentation as follows:

	2006 Before Reclassification S$	2006 After Reclassification S$	Effect S$
Income Statement (Group)			
(a) Reclassification of inventories written-off from administrative expenses to cost of sales.			
Cost of sales	(105,768,854)	(105,895,031)	(126,117)
Administrative expenses	(13,665,678)	(13,539,501)	126,117

Balance Sheet	Before Group	Before Company	After Group	After Company	Effect Group	Effect Company
(b) Reclassification of Available-for-sale financial assets to Non-current Assets as they were not held with the intention to be realised within 12 months from balance sheet date						
Non-current Assets:						
Available-for-sale financial assets	–	–	4,506,678	–	4,506,678	–
Current Assets:						
Available-for-sale financial assets	4,506,678	–	–	–	(4,506,678)	–
(c) The receivables due from subsidiaries are repayable on demand.						
Non-current Assets:						
Investments in subsidiaries	–	31,841,549	–	13,957,307	–	(17,884,242)
Current Assets:						
Due from subsidiaries	–	116,518	–	18,000,760	–	17,884,242
(d) Reclassification from bills payable to banks to short-term borrowings						
Current Liabilities:						
Short-term borrowings	3,222,600	–	3,994,933	454,762	772,333	454,762
Bills payable to banks (unsecured)	772,333	454,762	–	–	(772,333)	(454,762)

AS AT 30 JUNE 2007

Fixed Assets

Location	Description	Title	Land Area sq m	Usage	Net Book Value S$
Australia					
130 Mills Street Welshpool Western Australia	A single storey office & warehouse	Freehold	2,521.0	Office/Warehouse	246,089
9 Barfield Crescent Elizabeth West, Adelaide South Australia	A single storey industrial building	Freehold	2,043.0	Office/Warehouse	199,417
Unit 8, 47 Musgrove Road Coopers Plains Queensland 4108 Australia	Terrace unit with office and warehouse building	Freehold	190.0	Office/Warehouse	264,411
Singapore					
Loyang Offshore Supply Base PO Box 5070, Loyang Crescent Singapore 508988	Two-storey office building/warehouse	Leasehold	7,320.0	Office/Warehouse	15,421
United States of America					
5234 Brittmoore-North Road Harris County Texas 77041 (KM 449C) USA	Office / Warehouse	Freehold	6,493.6	Office/Warehouse	464,760
					1,190,098

AS AT 20 SEPTEMBER 2007

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

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 999	13	0.13	4,287	0.00
1,000 – 10,000	2,460	23.95	16,208,439	0.92
10,001 – 1,000,000	7,712	75.10	616,957,070	35.08
1,000,001 and above	84	0.82	1,125,508,264	64.00
	10,269	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(1)	19.219
Skyline Agents Ltd	–	–	338,000,000(1)	19.219
Neo Kim Hock	12,300,000	0.700	163,030,000(2)	9.270
Neptune Capital Group Ltd	–	–	158,030,000(2)	8.986

Notes:

(1) 21,000,000 held in the name of Raffles Nominees (Pte.) Limited for Skyline Agents Ltd *
317,000,000 held in the name of DB Nominees (Singapore) Pte Ltd for Skyline Agents Ltd*
338,000,000

* Mr Md Wira Dani Bin Abdul Daim holds more than 20% in Skyline Agents Ltd and is therefore deemed substantial shareholder by virtue of section 7 of the Companies Act.

(2) 5,000,000 held in the name of Lim & Tan Securities Pte Ltd for Neo Kim Hock
1,000,000 held in the name of UOB Kay Hian Private Limited for Neptune Capital Group Ltd @
157,030,000 held in the name of Raffles Nominees (Pte.) Limited for Neptune Capital Group Ltd @
163,030,000

@ Mr Neo Kim Hock holds more than 20% in Neptune Capital Group Ltd and is therefore deemed substantial shareholder by virtue of section 7 of the Companies Act.

AS AT 20 SEPTEMBER 2007

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	DB Nominees (S) Pte Ltd	317,500,000	18.05
2.	Raffles Nominees Pte Ltd	189,474,291	10.77
3.	OCBC Securities Private Ltd	89,958,000	5.12
4.	United Overseas Bank Nominees Pte Ltd	46,560,200	2.65
5.	Chng Gim Huat	39,000,000	2.22
6.	Kim Eng Securities Pte. Ltd.	35,243,000	2.00
7.	HL Bank Nominees (S) Pte Ltd	30,584,200	1.74
8.	DBS Nominees Pte Ltd	21,762,000	1.24
9.	Sun Spirit Group Limited	20,500,000	1.17
10.	Rosley Bin Abdul Rahman	20,000,000	1.14
11.	Lim & Tan Securities Pte Ltd	19,159,000	1.09
12.	DBS Vickers Securities (S) Pte Ltd	18,651,000	1.06
13.	Citibank Consumer Nominees Pte Ltd	15,107,000	0.86
14.	Low Keng Boon @ Lau Boon Sen	13,480,000	0.77
15.	Jadensworth Holdings Pte Ltd	12,693,000	0.72
16.	Neo Kim Hock	12,300,000	0.70
17.	HSBC (Singapore) Nominees Pte Ltd	12,249,585	0.70
18.	UOB Kay Hian Pte Ltd	11,590,000	0.66
19.	Phillip Securities Pte Ltd	10,364,040	0.59
20.	Morgan Stanley Asia (Singapore) Securities Pte Ltd	10,215,000	0.58
	Total	**946,390,316**	**53.83**

Public Float

To the best knowledge of the Company and the Directors and based on the Company's Register of Substantial Shareholders as at 20 September 2007, approximately 70.17% of the ordinary issued 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 IS HEREBY GIVEN that the Annual General Meeting of MAGNUS ENERGY GROUP LTD. ("the Company") will be held at 333 Orchard Road Singapore 238867, Meritus Mandarin Singapore, Mandarin Ballroom I, 6th Floor, South Tower on Wednesday, 31 October 2007 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 2007 together with the Auditors' Report thereon. **(Resolution 1)**

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

Mr Lew Syn Pau	[Retiring under Article 96(2)]	**(Resolution 2)**
Mr Ravindran Govindan	[Retiring under Article 96(2)]	**(Resolution 3)**
Mr Arwan Ahimsa	[Retiring under Article 96(2)]	**(Resolution 4)**
Mr Md Wira Dani Bin Abdul Daim	[Retiring under Article 78]	**(Resolution 5)**

Mr Lew Syn Pau will, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered independent.

Mr Ravindran Govindan will, upon re-election as a Director of the Company, remain as member of the Audit Committee, Nominating Committee and Remuneration Committee and will be considered non-independent.

Mr Arwan Ahimsa will, upon re-election as a Director of the Company, remain as member of the Audit Committee and will be considered independent.

3. To approve the payment of Directors' fees of S$109,335 for the year ended 30 June 2007 (2006: S$77,000). **(Resolution 6)**

4. To re-appoint Messrs Moore Stephens as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 7)**

5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following 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 issued 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 issued 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 number of issued 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; and

(b) any subsequent 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] **(Resolution 8)**

By Order of the Board

Wong Siew Chuan
Secretary

Singapore, 16 October 2007

Explanatory Notes:

The Ordinary Resolution 8 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 issued 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 issued 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 at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. A Member entitled to attend and vote at the Annual General 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 3 Phillip Street #11-01, Commerce Point, Singapore 048693 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 333 Orchard Road Singapore 238867, Meritus Mandarin Singapore, Mandarin Ballroom I, 6th Floor, South Tower on 31 October 2007 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 2007		
2	Re-election of Mr Lew Syn Pau as a Director		
3	Re-election of Mr Ravindran Govindan as a Director		
4	Re-election of Mr Arwan Ahimsa as a Director		
5	Re-election of Mr MD Wira Dani Bin Abdul Daim as a Director		
6	Approval of Directors' fees amounting to S$109,335		
7	Re-appointment of Messrs Moore Stephens as Auditors		
8	Authority to issue new shares		

Dated this __________ day of ____________________ 2007

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 3 Phillip Street #11-01, Commerce Point, Singapore 048693 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 Group Ltd.
3 Phillip Street #11-01
Commerce Point
Singapore 048693