MAGNUS ENERGY

Actual file photos of our various operations

Magnifying Energy

Magnus Energy Group Ltd.

Annual Report 2006 >>

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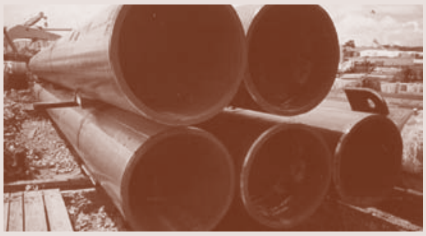

Corporate **Profile**

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

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

Over the past 18 months, Magnus has taken significant strides in transforming from a M&E Company to an energy-related company that distributes oil and gas equipment and undertakes coal mining activities.

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

The financial year ended 30 June 2006 was the last year where all non-core legacy businesses such as Building, M&E, Interior Architecture & Design were disposed off.

In October 2006, Magnus completed its acquisition of a 75% equity stake in Songyuan Yongda Oilfields Exploration and Technology Co., Ltd, thereby making Magnus the first listed company in Singapore to own an oilfield in China.

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

Corporate **Information**

Board of Directors

Mr Ravindran Govindan	*(Chairman)*
Mr Richard Chan Sing En	*(Managing Director)*
Mr Koh Teng Kiat	*(Executive Director/Chief Operating Officer)*
Mr Umar Abdul Hamid	
Mr Arwan Ahimsa	
Mr Harry Lee Vui Khiun	
Mr Lew Syn Pau	*(Independent Director)*
Mr Goh Boon Kok	*(Independent Director)*
Mr Meno Junichiro	*(Independent Director)*

Audit Committee

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

Company Secretary

Wong Siew Chuan, CPA

Nominating Committee

Mr Lew Syn Pau *(Chairman)*
Mr Goh Boon Kok
Mr Meno Junichiro
Mr Ravindran Govindan
(Appointed on 28 August 2006)

Registered Office

3 Phillip Street
11-01 Commerce Point
Singapore 048693
Tel: 6435 0686
Fax: 6435 0687

Remuneration Committee

Mr Lew Syn Pau *(Chairman)*
Mr Goh Boon Kok
Mr Meno Junichiro
Mr Ravindran Govindan
(Appointed on 28 August 2006)

Registrar & Share Transfer Office

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

Auditors

Moore Stephens
Certified Public Accountants
11 Collyer Quay
10-02 The Arcade
Singapore 049317
Partner-in-charge:
Mr Christopher Bruce Johnson
(Appointed on 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

Chairman's **Statement**

Dear Shareholders,

The financial year ended 30 June 2006 was one of major changes for Magnus and its subsidiaries (the "Group"), with a new management structure and strategy put in place to transform the Group's business portfolio to highly focused, globally driven sectors. The Group has undergone significant changes. The businesses have been reorganized into three main segments and the planned divestment and closure of non-core businesses have been largely completed. Additionally, productivity improvements have been implemented in all areas of existing businesses and despite difficult transitional problems, have delivered creditable results.

The Group has redefined its focus from being an engineering-based company to become a major regional player in the oil, gas and energy industry. The Group's main core business today comprises oil and gas equipment distribution and coal mining; and it has established a presence in China, Indonesia and Australia. Read in the proper context of the progress we have made, the financial performance for the past year is, therefore, simply the prologue. The main story begins now. We are excited by what the present and the future holds and the challenge of what we envision our Group will become.

Results Review

The financial results of the year ended 30 June 2006 included the continuing operations of the Group as well as the discontinued operations.

(a) Continuing operations

Group turnover from continuing operations saw a rise of 21.3% to S$122.3 million in FY2006. The improvement by about S$21.5 million was due mainly to higher contribution from a major subsidiary, Mid-Continent Equipment Group Pte Ltd ("Mid-Con"). It had contributed S$119.3 million in sales, representing about 97.5% of the Group's turnover. Lower contributions from the Building and M&E business segments depressed the Group turnover slightly.

Gross profit improved from S$16.4 million to S$16.6 million and net profit for the year was $0.8 million as compared with a net loss of $5.1 million seen the previous year. The previous year had to contend with several factors such as: (a) Net loss of $4.5 million from the divestment of 21.24% equity interest in Lantrovision (S) Ltd ("Lantro"); (b) a provision for impairment losses of S$2.5 million in 1 freehold property and 2 leasehold properties; and (c) an aborted project –Eurowind- which cost total expenses of S$0.5 million.

Comparatively, the Group incurred in FY2006: (a) exchange loss of $1 million suffered by a subsidiary because of the devaluation of US$ against S$; (b) exploration expenses of $0.9 million for coal, oil and gas activities. On the positive side, personnel expenses were lower by S$0.9 million due to the downsizing of M&E activities.

(b) Discontinued operations

The discontinued operations, arose from the divestment of 4 subsidiaries from the Group's Building, M&E and Interior Architecture & Design business segments during the current financial year. The turnover derived from the discontinued operations fell to $13.3 million from $34.8 million in the previous year while net profit for the year was $0.3 million in sharp contrast with the net loss of $2.1 million seen in the previous year. This was due to the downsizing of M&E activities.

A New Managing Director

Mr. Yeo Jiew Yew resigned from the Board in May 2006, and also relinquished his duties as the General Manager. His professional dedication and experience and insight during his association with the Group are much appreciated.

During the year in review, Mr. Richard Chan was promoted to Managing Director. His zest, leadership, wide experience and network in financial management and investment banking at the international level is particularly relevant to the Group's strategic ambitions and we look forward to his invaluable contributions.

Prospects and Strategy – "Energized for Growth"

In the current state of the global economy, we believe that what creates winning companies will depend on how readily they can adapt and respond to the changing dynamics of energy supply and demand. While returns from the oil, gas and energy industry have in recent times yielded high rates of return-on-investment, the risks are also higher and greater. However, strategically planned and properly executed, we believe the returns and yield to shareholders will far outweigh the risks.

Activity in the oil and gas industry continues to be positively impacted by growing demand for energy in the region and worldwide. According to the International Energy Agency, worldwide demand for crude oil will increase by about 8 million barrels per day (MBPD), to reach a total consumption of 90 MBPD, by the end of 2010.

This rosy picture is consistent across the broad spectrum of the energy-related clients we serve, including refining, drilling, petrochemical, pipeline, power and renewable energy. In general, we expect our clients' capital and maintenance budgets for their facilities will continue to increase annually at double-digit rates, being driven by demand and positive project economics. We are well positioned to take advantage of these trends through our oil and gas equipment division operating mainly through our main operating entity in this business division – the Mid-Continent Equipment Group which we acquired in 2004. That was the first phase of what can be considered to be the putative "turnaround" of the Group.

The second phase of our restructuring and "turnaround" is our executed and planned investments in the coal, oil and gas industry in Indonesia and China. As already announced in June 2006, the Group has successfully completed the acquisition of a 72% interest in PT Deefu Chemical Indonesia which holds 95% interest in PT Batubara Selaras Sapta, which owns and operates the rights to mine and extract coal from the Kuaro coal formation located at Kabupaten Pasir, East Kalimantan, Indonesia. The concession owned is for 30 years commencing from 1997.

In China, we have recently announced a major investment relating to crude oil production. This is the acquisition of a 75% sales in Songyuan Yongda Oilfields Exploitation and Technology Co Ltd – oil and gas company with producing oilfields having proven reserves of 43 million barrels of crude oil. The oilfields are in the Jilin Province and 3 oilfields covering about 17 sq km are already in operations, producing more than 300 barrels/day under revenue sharing contract with China National Petroleum Corp. Based on geological surveys, it is expected that production can increase in a relatively short time requiring minimum capital expenditure. Indeed, in this area, we have achieved a record as the first Singapore Exchange-listed company to own crude oil producing concession in China.

In a nutshell, we expect that the majority of our future growth will be provided by our new investments in Indonesia and China. They will complement our existing upstream oil and gas activities in Australia as well as provide synergistic value to each other. We have reason to be confident, given the quality of our business development teams, the experience and capability of our technical staff, as well as the large amount of potential resource mining activity. We are optimistic that the development of Magnus as a regional energy platform will reap dividends for the Group beginning as early as FY2007.

Our focus in the past financial year was on our internal growth initiatives, largely based on our oil and gas equipment supply business in the first phase of our restructuring exercise. In the current financial year, however, we plan to continue to seriously consider strategic and accretive merger and acquisition opportunities that become available. Generally, we expect that any future acquisitions could be larger in scope and will provide either additional competencies, or growth into new geographical regions. We aim to expand the capabilities already in place and expect to remain primarily involved with energy-related projects and services over the next several years. We will also look to expand in other new sectors of the energy industry if opportunities arise.

We are fortunate that in our acquisitions, we have also been able to welcome skilled personnel such as geologists into the Group. But to combat the manpower shortage, we will recruit new graduates and provide training as and when the need arises.

In closing, management would like to thank its shareholders, clients, and employees for their continued support. The year ahead offers growth opportunities as well as significant challenges. And we believe that in the unfolding years, the real asset value of the company will be fully realized. We are very positive about the future and believe that Magnus is indeed "Energized for Growth".

Ravindran Govindan
Chairman

Our **Milestones**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

11 April 2001
The issued Warrants 2006 were listed on SGX-Sesdaq.

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

Our **Milestones**

Company as at 5:00 pm on 28 May 2002, fractional entitlements being disregarded.

7 June 2002
The issued Adjustment Warrants were listed on SGX-Sesdaq.

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

21 April 2003
The Company subscribed for 439 new ordinary shares at $1.00 each in the capital of Strike Construction Pte Ltd and waived its pre-emption rights to subscribe for the balance of 68,825 new ordinary shares at $1.00 each in the capital of Strike Construction Pte Ltd pursuant to a subscription agreement dated 29 December 2000 entered with the other existing 3 shareholders of Strike Construction Pte Ltd. Following the partial subscription, the Company's equity interest in the capital of Strike Construction Pte Ltd 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$12.13 million, of which US$ 8.58 million shall be paid over the period of 24 months.

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

8 August 2006
The Company entered into a Sale and Purchase Agreement with 2 individuals to acquire the entire issued share capital of Bridging Resources Ltd and indirectly 75% equity interest in Songyuan Yongda Oilfields Exploration and Technology Co., Ltd., for an aggregate purchase consideration of up to S$26.6 million.

Board of Directors **& Key Executives**

Board of Directors

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

Richard Chan Sing En, Managing Director, joined Magnus as a 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. He currently sits on the board of several public and private companies in Singapore and overseas. Mr. Chan graduated from Pepperdine University (U.S.A) with a Bachelor of Science, Business Administration majoring in Finance and Marketing in 1987.

Koh Teng Kiat, Executive Director, joined Magnus in July 2004 and undertook additional responsibilities as Chief Operating Officer in September 2006. He currently oversees the Group's operational aspects of crude oil production company in China and coal mining activities in Indonesia, addresses compliance issues, and supervises funding arrangements. He is also a director of Mid-Continent Equipment Group Pte Ltd., Antig Investments Pte. Ltd. and Bridging Resources Ltd, subsidiaries of Magnus. Mr Koh holds a Degree from the Chartered Institute of Management Accountants of the United Kingdom. He is a Fellow member of both the Chartered Institute of Management Accountants of the United Kingdom and Institute of Certified Public accountants of Singapore.

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 Harvard graduate and a Fulbright scholar with degrees in Master of Business Administration, Master of Education (Administration, Planning and Social Policy), Bachelor of Science in Electrical Engineering. 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.

Arwan Ahimsa, Non-Executive Director, joined Magnus in May 2006. He possesses entrepreneurial skills in corporate management with diverse overseas experience in managing industrial enterprises, conducting business negotiations, and financial engineering. He is currently a director of PT Renaissance Capital Asia, a leading Indonesian investment bank as well as strategic investment house with key portfolio investments in energy resource companies. He also sits on the Board of Directors in several companies in Indonesia. 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.

Harry Lee Vui Khiun, Non-Executive Director, joined Magnus in June 2006. He has more than 15 years experience in Sales & Marketing and Administration of Construction industry. Mr Harry graduated from RMIT University, Melbourne, Australia with a Bachelor of Business majoring in Economics & Finance in 1985.

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

Board of Directors **& Key Executives**

(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.

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

Key Executives

Wong Siew Chuan, Chief Financial Officer, joined Magnus in 1999 and has been with Magnus for 7 years. On 23 May 2006, she was re-designated as the Chief Financial Officer. 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 15 years of experience in financial and management reporting and 9 years of experience in auditing a portfolio of trading, service, manufacturing companies and financial institutions. Her current duties include financial and management reporting and corporate secretarial duties for Magnus and 3 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 is an associate member of the Chartered Institute of Management Accountants. He has more than 8 years of experience in finance and management. He now oversees the financial aspects of the strategic department in our subsidiary, 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), a company incorporated in the People's Republic of China ("PRC"), which engages in the development of oilfields and production of crude oil in Jilin Province in the PRC.

Chua An Chi, Finance Manager, joined Magnus in October 2006. She graduated from the Nanyang Technological University with a Bachelor of Accountancy degree in 2000 and is a non-practising Certified Public Accountant Singapore. She has more than 5 years of experience in auditing a portfolio of trading, service and manufacturing companies. She now oversees the daily operations of the finance and corporate services department in Magnus and supervises a team of 3 staff. Her current duties include the maintenance of accounts for Magnus and 3 of its subsidiaries, consolidation of accounts for the Magnus Group. She also assists the Chief Financial Officer in financial and management reporting and attending to the corporate secretarial matters for Magnus and 3 of its subsidiaries.

Financial **Highlights**

	2006	2005	2004
Turnover ($'000)	135,691	135,606	81,329
Net Asset Value per Share (Cents)	3.46	2.26	3.02
Profit/(Loss) before Taxation ($'000)	2,283	(6,634)	430
(Loss) Earnings per Share (Cents)	(0.07)	(0.77)	(0.18)
TURNOVER BY BUSINESS ACTIVITIES			
Electrical Engineering Services	6,487	6,753	14,120
Building and Mechanical Engineering Services	9,665	21,428	15,312
Architecture and Design	236	10,644	27,931
Networking	-	-	2,099
Property Development	-	1,765	9,449
Oilfield Equipment Supply and Services	119,303	94,962	12,292
Others	-	54	126

Corporate **Structure**

Corporate Governance Report

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

1. Board of Directors (The "Board")

Board's Conduct of its Affairs

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

(a) Approving broad policies, strategies and financial objectives for the Group;

(b) Approving the nominations of board members and key managerial personnel;

(c) Approving budgets, major funding proposals, investment and divestment proposals;

(d) Reviewing the Group's financial performance; and

(e) Monitoring the performance of management

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

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

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

The number of Board, AC, NC and RC meetings held for the financial year ended 30 June 2006 and the attendance of every board member at those meetings are given on page 14.

Board Composition and Balance

The Board currently comprises 9 members, 2 executive directors, and 7 non-executive directors, of whom three are independent directors. Hence, the Board complies with the code in having one third of its directors independent. Together, the Directors bring with them a wide range of business and financial experience, skills and expertise to meet the Company's targets.

New appointments to the Board, its composition and effectiveness, and independence of directors are reviewed annually by the NC. Mr Ravindran Govindan is currently the Chairman of the Board while Mr Chan Sing En is the Managing Director of the Company.

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

Access to Information

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

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

2. Nominating Committee ("NC")

Lew Syn Pau (Chairman)
Goh Boon Kok
Meno Junichiro
Ravindran Govindan (Appointed on 28 August 2006)

Board Membership and Board Performance

NC comprises 4 members, 3 members including the Chairman are Independent Non-Executive Directors and 1 member is a Non-Executive Director.

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

(a) Identify candidates and review all nominations on appointments and re-appointment of directors including making recommendations on the composition of the Board and the balance between executive and non-executive directors to the Board.

(b) Review the Board structure, size and composition regularly.

(c) Determine the independence of directors annually.

(d) To assess the effectiveness of the Board as a whole and the contribution of each individual director to an effective Board.

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

Pursuant to Article 78 of the Company's Articles of Association, new directors would be required to submit themselves for re-election at the forthcoming AGM. Article 96(2) of the Company's Articles of Association requires that one-third of the Directors retire by rotation at every Annual General Meeting ("AGM"). However, the Managing Director is not subject to retirement by rotation. In accordance with the Company's Articles of Association, Messrs Koh Teng Kiat, Umar Abdul Hamid and Goh Boon Kok will retire pursuant to Article 96(2) and Messrs Arwan Ahimsa and Harry Lee Vui Khiun will retire pursuant to Article 78 at the forthcoming AGM.

NC meets at least once a year. Additional meetings can be scheduled if considered necessary by the Chairman of NC. NC held 2 meetings during the financial year ended 30 June 2006.

3. Audit Committee ("AC")

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

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

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

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

The AC held 6 meetings during the financial year ended 30 June 2006. The AC carried out its functions in accordance with the Companies Act Cap. 50 and SGX-ST Listing Manual. In performing those functions, the Audit Committee inter alia reviewed:

(a) any formal announcements relating to the Company's financial performance;

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

(b) the overall scope of external audits and the assistance provided by the Group's officers to the auditors;

(b) the auditors' evaluation of the system of internal accounting controls arising from their audit;

(c) interested person transactions in accordance with the SGX-ST Listing Manual to satisfy themselves that the transactions are on normal commercial terms; and

(d) the financial statements of the Company and the consolidated financial statements of the Group and the auditors' report on those financial statements before their submission to the Board of Directors.

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

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

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

Interested Persons Transactions ("IPTs")

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. Currently, the Company does not have a general mandate from its shareholders in relation to IPTs as there are no IPT transactions expected on a recurring basis.

Material Contracts

No material contracts were entered into between the Company or any of its subsidiaries with any director or controlling shareholder during the financial year ended 30 June 2006.

Internal Controls and Internal Audit

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

The Group had an Internal Audit Team ("IAT") of 3 members reporting directly to the AC Chairman. It also reported functionally and administratively to the Managing Director. It audited the local operations of the Group. For overseas operations of the Group, the AC outsources the internal audit function to suitable foreign audit firms as and when the need arises.

The Board, based on the findings by external auditors, internal auditors and management controls in place, is satisfied that there are adequate internal controls in the Company.

4. Remuneration Committee ("RC")

Lew Syn Pau (Chairman)
Goh Boon Kok
Meno Junichiro
Ravindran Govindan (Appointed on 28 August 2006)

Procedures for Developing Remuneration Policies
Level and Mix of Remuneration
Disclosure on Remuneration

RC comprises 4 members, 3 members including the Chairman are Independent Non-Executive Directors and 1 member is a Non-Executive Director.

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

(a) To review and recommend to the Board a framework of remuneration for directors and key executives to ensure the package is sufficient to attract and retain people of required quality to run the Company successfully.

(b) To determine the specific remuneration packages for executive directors and key executives based on performance, service seniority, experience and scope of responsibility and is periodically benchmarked to market/industry.

(c) Review directors' remuneration packages annually to recommend appropriate adjustments.

Fees are payable only to non-executive directors and the level of fees commensurate with the level of responsibilities undertaken by them. Such fees are recommended and endorsed by the Board for approval by the shareholders of the Company at its AGM. RC recommended that fees of S$77,000 be payable to Independent Non-Executive Directors for the financial year ended 30 June 2006, for their participation in the various committees. The Board duly accepted RC's recommendation and proposed the same for approval by the shareholders at the forthcoming AGM.

RC meets at least once a year. Additional meetings can be scheduled if considered necessary by the Chairman of RC. RC held 2 meetings during the financial year ended 30 June 2006.

Remuneration of Directors and Key Executives

Details of remuneration to the directors of the Company for the financial year ended 30 June 2006 ("FY2006") and 2005 ("FY2005") are set out below:

Remuneration band	Number of directors	
	FY2006	FY2005
$500,000 and above	–	–
$250,000 to below $500,000	1	1
Below $250,000	10	10

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

Summary compensation table for the financial year ended 30 June 2006:

Name	Salaries %	Bonus %	Director fees %	Other benefits %	Total %
$250,000 to below $500,000					
Directors					
Yeo Jiew Yew [4]	69.2	26.4	–	4.4	100.0
Below $250,000					
Directors					
Ravindran Govindan	95.4	–	–	4.6	100.0
Chan Sing En	81.4	10.6	–	8.0	100.0
Koh Teng Kiat	82.5	12.7	–	4.8	100.0
Umar Bin Abdul Hamid	95.1	–	–	4.9	100.0
Arwan Ahimsa	–	–	–	–	–
Harry Lee Vui Khiun	–	–	–	–	–
Lew Syn Pau	–	–	100.0	–	100.0
Goh Boon Kok	–	–	100.0	–	100.0
Meno Junichiro	–	–	100.0	–	100.0
Chua Koh Ming [3]	95.2	–	–	4.8	100.0
Key Executives					
Wong Siew Chuan	70.0	11.6	–	18.4	100.0
Sim Yew Heng (resigned on 30-04-06)	73.5	14.7	–	11.8	100.0
Chan Bee Fong (resigned on 30-04-06)	65.8	13.0	–	21.2	100.0

RC and the Board are of the opinion that the remuneration of the Directors and Key Executives for the financial year ended 30 June 2006 are adequate but not excessive in order to attract, retain and motivate them to run the Group successfully.

5. Communication with Shareholders

Accountability and Audit
Communication with Shareholders

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

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

6. Securities Transactions

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

Corporate Governance Report

7. Corporate Disclosure

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

8. Meetings Compliance

Each director attended the following meetings during the financial year ended 30 June 2006 while a member of the Board:

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	4	2	–	–	2	1	–	–
Richard Chan Sing En	Managing Director	4	4	–	–	–	–	2	2
Koh Teng Kiat	Executive Director/ Chief Operating Officer	4	4	–	–	–	–	–	–
Umar Abdul Hamid	Non-Executive Director	4	3	–	–	–	–	–	–
Arwan Ahimsa (1)	Non-Executive Director	–	–	–	–	–	–	–	–
Harry Lee Vui Khiun (2)	Non-Executive Director	–	–	–	–	–	–	–	–
Lew Syn Pau	Independent Director	4	4	6	6	2	2	2	2
Goh Boon Kok	Independent Director	4	4	6	6	2	2	2	2
Meno Junichiro	Independent Director	4	4	6	6	–	–	–	–
Chua Koh Ming (3)	Ex-Executive Director	3	2	–	–	–	–	–	–
Yeo Jiew Yew (4)	Ex-Managing Director	4	3	–	–	–	–	–	–

Notes

(1) Appointed on 16 May 2006

(2) Appointed on 28 June 2006

(3) Resigned on 20 February 2006

(4) Resigned on 16 May 2006

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of Magnus Energy Group Ltd. (the "Company") and its subsidiaries (the "Group") for the financial year ended 30 June 2006 and balance sheet of the Company as at 30 June 2006.

1 Directors

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

Ravindran Govindan	
Chan Sing En	
Koh Teng Kiat	
Umar Abdul Hamid	
Arwan Ahimsa	(appointed on 16 May 2006)
Harry Lee Vui Khiun	(appointed on 28 June 2006)
Lew Syn Pau	
Goh Boon Kok	
Meno Junichiro	

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 is 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

During the financial year ended 30 June 2001, the Company issued 183,246,000 warrants ("Warrants 2006") in conjunction with the transferable loan facility granted to the Company. Each Warrant 2006 entitles the holder to subscribe for one new ordinary share at the exercise price of $0.11 during the Exercise Period. The Exercise Period of Warrants 2006 refers to the period during which the Warrants 2006 may be exercised, commencing after its listing and quotation on the SGX-Sesdaq from 6 April 2001, the date of issue up to 5 April 2006. During the financial year ended 30 June 2002, 10,024,985 new Warrants 2006 were issued as an adjustment in connection with the rights issue based on 0.05472155 new Warrant 2006 for every outstanding Warrant 2006 pursuant to the Deed Poll dated 9 March 2001. During the financial year 13,184 Warrants 2006 were exercised and converted to ordinary shares. The balance of 193,226,801 Warrants 2006 expired on 5 April 2006 and ceased to be valid for any purpose.

Except for the above, no other options or warrants to take up unissued shares of the Company or its subsidiaries were granted and no other shares were issued by virtue of the exercise of options or warrants to take up unissued shares of the Company or any subsidiary. 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. 2005 or date of appointment, if later	As at 30.6.2006	As at 21.7.2006	As at 1.7. 2005 or date of appointment, if later	As at 30.6.2006	As at 21.7.2006
The Company						
Ordinary shares						
Umar Abdul Hamid	62,738	62,738	62,738	28,371	28,371	28,371
Harry Lee Vui Khiun	–	–	–	197,000,000	197,000,000	197,000,000
Lew Syn Pau	–	–	–	5,813,999	4,813,999	3,725,999
Warrants 2006 to subscribe for ordinary shares						
Umar Abdul Hamid	819	–	–	973	–	–
Lew Syn Pau	316,038	–	–	961,493	–	–

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 2006.

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

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

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

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

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

(a) The audit plan of the company's external auditors and their evaluation of the system of internal accounting controls;

(b) The overall scope of external audits and the assistance provided by the Group's officers to the auditors;

(c) The auditors' evaluation of the system of internal accounting controls arising from their audit;

(d) Interested party transactions for the financial year ended 30 June 2006 in accordance with Chapter 9 of the Singapore Exchange Securities Trading Limited Listing Manual to satisfy themselves that the transactions are on normal commercial terms; and

(e) The balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 30 June 2006 before their submission to the board of directors and the auditors' report on those financial statements.

The Audit Committee held six 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
9 October 2006

Statement by Directors

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 29 to 73 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 2006 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
9 October 2006

Auditors' Report

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

We have audited the accompanying balance sheet of Magnus Energy Group Ltd. (the "Company") as at 30 June 2006 and the consolidated financial statements of the Group, as set out on pages 29 to 73, for the year ended 30 June 2006. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements for the previous year ended 30 June 2005 were audited by another firm of auditors whose report dated 16 September 2005 expressed an unqualified opinion on those financial statements.

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

In our opinion,

(a) the accompanying balance sheet of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2006 and the results, changes in equity and cash flows of the Group for the financial year ended on that date; and

(b) the accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Moore Stephens
Certified Public Accountants

Singapore
9 October 2006

Consolidated Income Statement

for the financial year ended 30 June 2006

	Note	2006 S$	2005 S$
Continuing Operations			
Revenue	4	122,345,568	100,760,706
Cost of sales		(105,768,854)	(84,372,944)
Gross profit		16,576,714	16,387,762
Other operating income	5	1,293,534	1,297,836
Distribution & selling expenses	6	(739,418)	(1,217,597)
Administrative expenses	7	(13,665,678)	(12,471,315)
Other operating expenses	8	(1,346,231)	(7,621,838)
Finance income	10	266,227	100,766
Finance costs	11	(469,193)	(448,552)
Share of results of associated companies		60,127	55,335
Profit/(loss) from continuing operations before tax		1,976,082	(3,917,602)
Income tax expense	12	(1,156,419)	(1,176,543)
Profit/(loss) from continuing operations after tax		819,663	(5,094,146)
Discontinued Operations			
Profit/(loss) for the year from discontinued operations	13	307,072	(2,110,939)
Profit/(loss) for the year		1,126,735	(7,205,085)
Attributable to:			
Equity holders of the Company		(854,355)	(8,806,153)
Minority interests		1,981,090	1,601,068
		1,126,735	(7,205,085)
Earnings/(loss) per share (cents)			
Basic and diluted – continuing operations	14a	(0.11)	(0.67)
Basic and diluted – discontinued operations	14b	0.04	(0.01)

The accompanying notes form an integral part of the financial statements

Balance Sheets
as at 30 June 2006

	Note	Group 2006 S$	Group 2005 S$	Company 2006 S$	Company 2005 S$
ASSETS					
Non-Current Assets					
Property, plant and equipment	15	6,556,917	11,178,386	88,482	3,687,979
Interests in subsidiaries	16	–	–	31,841,549	18,032,007
Associated companies	17	68,425	8,298	–	–
Joint venture companies	18	–	–	–	–
Goodwill on consolidation	19	9,338,596	1,855,703	–	–
Deferred tax assets	12	35,340	55,431	–	–
Intangible Assets	20	44,318,813	–	–	–
Total Non-Current Assets		60,318,091	13,097,818	31,930,031	21,719,986
Current Assets					
Asset held for sale	21	–	404,237	–	–
Available-for-sale financial assets	22	4,506,678	3,857,429	1,631,845	1,551,001
Inventories	23	25,946,335	13,455,663	–	68,319
Projects-in-progress	24	128,914	10,538,961	128,914	712,627
Trade receivables	25	22,472,185	20,428,278	105	100,231
Other receivables, deposits and prepayments	26	4,612,454	2,574,392	3,557,379	412,688
Due from minority shareholders of subsidiaries	27	101,660	–	–	–
Due from subsidiaries	27	–	–	116,518	800,855
Due from associated companies	27	756,631	957,705	–	–
Due from joint venture companies	27	220,353	–	–	–
Due from related parties	27	154,098	154,098	–	–
Fixed deposits	28	21,015,082	6,079,003	14,874,000	–
Cash and bank balances		5,228,245	8,494,790	540,427	48,709
Total Current Assets		85,142,635	66,944,556	20,849,188	3,694,430
Total Assets		145,460,726	80,042,374	52,779,219	25,414,416

The accompanying notes form an integral part of the financial statements

Balance Sheets
as at 30 June 2006

(cont'd)

	Note	Group 2006 S$	Group 2005 S$	Company 2006 S$	Company 2005 S$
LIABILITIES AND EQUITY					
Current Liabilities					
Trade payables	29	15,964,122	16,095,906	241,547	836,689
Progress billings in excess of costs	24	1,212,440	2,909,341	1,212,440	128,407
Other payables and accruals	30	7,720,248	4,580,400	146,922	206,409
Due to minority shareholders of subsidiaries	27	8,860	824,781	–	–
Due to subsidiaries	27	–	–	–	69,697
Due to related parties	27	11,860,010	1,881,707	–	–
Due to joint venture companies	27	6,243,783	4,383,837	–	–
Income tax liabilities		1,290,110	1,588,259	–	–
Short term bank loan	31	3,222,600	3,409,150	–	–
Finance lease obligations	32	36,667	75,021	–	–
Term loans, current portion (secured)	31	–	90,609	–	–
Bills payable to banks (unsecured)	33	772,333	1,338,751	454,762	942,171
Bank overdrafts (unsecured)	34	232,553	578,269	–	–
Total Current Liabilities		48,563,726	37,756,031	2,055,671	2,183,373
Non-Current Liabilities					
Finance lease obligations	32	61,111	157,387	–	–
Term loans, non-current portion (secured)	31	–	150,645	–	–
Other payables	30	5,705,056	–	–	–
Deferred tax liabilities	12	12,442,503	538,642	32,800	32,800
Total Non-Current Liabilities		18,208,670	846,674	32,800	32,800
Total Liabilities		66,772,396	38,602,705	2,088,471	2,216,173
Equity					
Share capital	35	89,991,816	57,474,210	89,991,816	57,474,210
Reserves	36	(36,524,085)	(31,511,824)	(39,301,068)	(34,275,967)
		53,467,731	25,962,386	50,690,748	23,198,243
Minority interests		25,220,599	15,477,283	–	–
Total Equity		78,688,330	41,439,669	50,690,748	23,198,243
Total Liabilities and Equity		145,460,726	80,042,374	52,779,219	25,414,416

The accompanying notes form an integral part of the financial statements

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2006

	Attributable to shareholders							Minority Interests	Total Equity
	Share Capital S$	Share Premium S$	Capital Reserve S$	Fair value Reserve S$	Translation Reserve S$	Revenue Reserve S$	Total S$	S$	S$
Group									
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
Effects of adopting FRS 39 (Note 3)	–	–	–	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 (Note 13)	–	–	–	–	–	–	–	(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

Consolidated Statement of Changes in Equity

for the financial year ended 30 June 2006

	Attributable to shareholders							Minority Interests	Total Equity
	Share Capital S$	Share Premium S$	Capital Reserve S$	Fair value Reserve S$	Translation Reserve S$	Revenue Reserve S$	Total S$	S$	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)	–	
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
2005									
Balance at 1 July 2004	57,474,210	3,842	3,919,525	–	(168,476)	(26,523,374)	34,705,727	13,946,245	48,651,972
Foreign currency translation differences	–	–	–	–	62,812	–	62,812	241,882	304,694
Transfer from accumulated losses on issuance of bonus shares by a subsidiary	–	–	24,282	–	–	(24,282)	–	20,394	20,394
Income/(loss) recognised directly in equity			24,282	–	62,812	(24,282)	62,812	262,276	325,088
Net loss for the year	–	–	–	–	–	(8,806,153)	(8,806,153)	1,725,254	(7,080,899)
Total recognised income/(loss) for the year	–	–	24,282	–	62,812	(8,830,435)	(8,743,341)	1,987,530	(6,755,811)
Dividends paid by a subsidiary	–	–	–	–	–	–	–	(456,492)	(456,492)
Balance at 30 June 2005	57,474,2100	3,842	3,943,807	–	(105,664)	(35,353,809)	25,962,386	15,477,283	41,439,669

The accompanying notes form an integral part of the financial statements

Consolidated Cash Flow Statement

for the financial year ended 30 June 2006

	Note	2006 S$	2005 S$
Cash flows from operating activities			
Profit/(loss) from continuing operations before tax		1,976,082	(3,917,602)
Profit/(loss) from discontinued operations before tax (Note 13)		307,072	(2,716,408)
		2,283,154	(6,634,010)
Adjustments:			
Bad trade receivables (recovered)/written off		(100,588)	187,437
Depreciation of property, plant and equipment		1,607,776	1,405,936
Impairment loss on goodwill		–	10,755
Impairment of inventories written off/(back)		126,177	(26,028)
Impairment of trade receivables		22,118	189,198
Interest expense		294,392	290,993
Interest income		(266,920)	(105,912)
(Gain)/loss on disposal of available-for-sale financial assets		(517,952)	4,107,510
Loss on disposal of associated company - quoted		–	422,648
Gain on disposal of property, plant and equipment		(222,728)	(638,316)
Property, plant and equipment written off		1,612	2,117
Gain on disposal of subsidiaries		(419,018)	–
Impairment of non-trade receivables		–	555,882
Impairment loss on property, plant and equipment		–	3,055,699
Impairment loss on available-for-sale financial assets		–	108,441
Share of results of associated companies		(60,127)	(55,335)
Currency re-measurement		–	270,446
Operating cash flow before working capital changes		2,747,896	3,147,461
Changes in operating assets and liabilities:			
Development properties		–	1,765,000
Inventories		(12,616,849)	626,635
Projects-in-progress, net of progress billings		5,316,162	(1,800,802)
Trade receivables		(4,802,911)	(5,604,247)
Other receivables, deposits and prepayments		(2,766,068)	(1,012,040)
Trade payables		1,055,972	7,939,667
Other payables and accruals		(726,716)	(1,594,799)
Intercompany balances, net		12,792,594	3,508,554
Due from/(to) minority shareholders of subsidiaries		75,117	(267,251)
Bills payable to banks		(566,418)	(1,198,984)
Cash flows generated from operations		508,779	5,509,194
Interest income received		266,920	105,912
Interest paid		(294,392)	(290,993)
Income taxes paid		(1,171,621)	(1,064,411)
Net cash flows (used in)/generated from operating activities		(690,314)	4,259,702

The accompanying notes form an integral part of the financial statements

Consolidated Cash Flow Statement

for the financial year ended 30 June 2006

(cont'd)

	Note	2006 S$	2005 S$
Cash flows from investing activities			
Fixed deposit pledged to banks		(247,747)	(13,201)
Proceeds from sale of property, plant and equipment		4,028,216	1,372,948
Purchase of property, plant and equipment	B	(2,747,905)	(3,533,798)
Net proceeds from sale of available-for-sale financial assets		2,381,153	5,214,043
Net proceeds from disposal of shares in associated company		–	2,960,000
Acquisition of available-for-sale financial assets		(2,438,385)	(6,354,334)
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)	–
Net cash flow from disposal of subsidiaries	C	920,757	–
Net cash flow used in the acquisition of a subsidiary	D	(5,704,724)	–
Payment of dividends by a subsidiary company to minority interests		(456,492)	(456,492)
Net cash flow used in investing activities		(6,661,127)	(810,834)
Cash flows from financing activities			
Proceeds from short term loan		59,450	–
Proceeds from term loans		–	3,409,150
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		(70,468)	(150,679)
Repayment of term loans		(246,000)	(4,117,650)
Net cash flows used in financing activities		19,284,032	(859,179)
Net foreign currency translation adjustments		(165,088)	157,036
Net increase in cash and cash equivalents		11,767,503	2,746,725
Cash and cash equivalents at beginning of year		8,136,993	5,390,268
Cash and cash equivalents at end of year	A	19,904,496	8,136,993

A. Cash and cash equivalents

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

	Note	2006 S$	2005 S$
Cash and bank balances		5,228,245	8,494,790
Fixed deposits	28	14,908,804	220,472
Bank overdrafts, unsecured		(232,553)	(578,269)
Cash and cash equivalents		19,904,496	8,136,993

The accompanying notes form an integral part of the financial statements

(cont'd)

B. Property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $2,857,905 (2005: $3,675,798) of which $110,000 (2005: $142,000) was acquired by means of finance leases. Cash payments of $2,747,905 (2005: $3,533,798) 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 2006 were as follows:

	Note	2006 S$	2005 S$
Property, plant and equipment		1,901,092	–
Goodwill on consolidation		66,000	–
Cash and bank balances		1,806,851	–
Trade receivables		2,837,474	–
Projects-in-progress, net of progress billings		3,396,984	–
Intercompany balances, net		(973,624)	–
Other receivables, deposits and prepayments		728,006	–
Trade payables		(1,187,756)	–
Other payables and accruals		(3,660,406)	–
Provision for taxation		(273,778)	–
Finance lease obligations		(174,162)	–
Bank borrowings		(237,919)	–
Deferred taxation		(33,474)	–
Due to minority shareholders of subsidiaries		(891,038)	–
Minority interests		(995,660)	–
Net assets disposed of		2,308,590	–
Gain on disposal		419,018	–
Proceeds from disposal of subsidiaries		2,727,608	–
Less: Cash and bank balances of subsidiaries disposed of		(1,806,851)	–
Net cash flow from disposal of subsidiaries		920,757	–

The accompanying notes form an integral part of the financial statements

Consolidated Cash Flow Statement

for the financial year ended 30 June 2006

(cont'd)

D. Acquisition of subsidiaries

The attributable net assets of subsidiaries acquired during the year ended 30 June 2006 were as follows:

	Note	2006 S$	2005 S$
Intangible assets		41,922,813	–
Due from minority shareholders of subsidiary		101,660	–
Other creditors and accruals		(2,465)	–
Provision for taxation		(255)	–
Deferred taxation		(11,948,002)	–
Net assets acquired		30,073,751	–
Goodwill on consolidation		7,548,893	–
Minority interests		(9,505,609)	–
Total purchase consideration		28,117,035	–
Purchase consideration satisfied via share issue		(9,182,750)	–
Total purchase consideration satisfied via cash		18,934,285	–
Purchase consideration payable (Note 30)		(13,229,561)	–
Net cash flow used in the acquisition of subsidiary		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 provision of mechanical and electrical engineering services and dealing in electrical products. The principal activities of the subsidiaries are as shown in Note 16 to the financial statements.

2 Summary of Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and balance sheet of the Company, which are expressed in Singapore dollars, are prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as discussed in the accounting policies below.

The key critical accounting estimates and judgement used in the preparation of the financial statements are described in Note 43 to the financial statements.

The accounting policies have been consistently applied by the Group and the Company during the current financial year and are consistent with those used in the previous financial year, except for the changes in accounting policies discussed below:

Adoption of Revised FRS

The Group adopted the new or revised FRS that are applicable in the current financial year. The FY2006 financial statements have been amended as required, in accordance with the relevant transitional provisions in the respective FRS. The following are the FRS that are relevant to the Group:

FRS 1	(revised)	Presentation of Financial Statements
FRS 2	(revised)	Inventories
FRS 8	(revised)	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 10	(revised)	Events after the Balance Sheet Date
FRS 16	(revised)	Property, Plant and Equipment
FRS 17	(revised)	Leases
FRS 21	(revised)	The Effects of Changes in Foreign Exchange Rates
FRS 24	(revised)	Related Party Disclosures
FRS 27	(revised)	Consolidated and Separate Financial Statements
FRS 28	(revised)	Investments in Associates
FRS 31	(revised)	Investments in Joint Ventures
FRS 32	(revised)	Financial Instruments: Disclosure and Presentation
FRS 33	(revised)	Earnings Per Share
FRS 36	(revised)	Impairment of Assets
FRS 38		Intangible Assets
FRS 39	(revised)	Financial Instruments: Recognition and Measurement
FRS 102	(revised)	Share-based Payment
FRS 105	(revised)	Non-current Assets Held for Sale and Discontinued Operations

The adoption of the above FRS did not have any significant financial impact on the Group's financial statements except as disclosed in Note 3.

2 Summary of Significant Accounting Policies (cont'd)

(a) Basis of Preparation (cont'd)

Early Adoption of new FRS

On 1 July 2005, the Group adopted FRS 106, Exploration for and Evaluation of Mineral Resources in advance of its effective date of 1 January 2006. As a result of adopting FRS 106, the Group discloses information that identifies and explains amounts recognised in its financial statements arising from the exploration for and evaluation of mineral resources.

FRS Not Yet Effective

The Group has not applied the following FRS and INT FRS that have been issued but are only effective for annual financial periods beginning on or after 1 January 2006.

FRS 40	Investment Property
FRS 107	Financial Instruments: Disclosures
INT FRS 104	Determining whether an Arrangement contains a Lease
INT FRS 105	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
INT FRS 107	Applying the Restatement Approach under FRS 29 Financial Reporting in Hyperinflationary Economies (effective 1 January 2007)
INT FRS 108	Scope of FRS 102
INT FRS 109	Reassessment of Embedded Derivatives

FRS 107 requires quantitative disclosures of the nature and extent of risks arising from financial instruments in addition to the disclosures currently required under FRS 32. Adoption of this Standard will result in additional disclosures in the financial statements.

The directors anticipate that the adoption for the remaining pronouncements will have no material impact on the financial statements of the Group in the period of initial application.

(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.

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

(i) Subsidiaries (cont'd)

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

(ii) Associated Company

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.

(iii) Interests in Joint Ventures

A joint venture 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.

2 Summary of Significant Accounting Policies (cont'd)

(b) Basis of Consolidation (cont'd)

(iii) Interests in Joint Ventures (cont'd)

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 extend of the group's interest in the joint venture.

(c) Goodwill on consolidation

Goodwill represents the excess of the cost of an acquisition of subsidiary and associated company over the fair value of the Group's share of their identifiable net assets, including contingent liabilities, at the date of acquisition.

Goodwill on acquisition of a subsidiary is classified as goodwill on consolidation. 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 and associated company 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) Investment in Joint Ventures Companies

Investment 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.

2 Summary of Significant Accounting Policies (cont'd)

(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.

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

No depreciation is charged for freehold land.

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

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.

(j) Available-for-sale financial assets

Available-for-sale financial assets, which 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.

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

2 Summary of Significant Accounting Policies (cont'd)

(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.

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

Exploration and Development Expenditure – Petroleum Exploration

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.

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 licence 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:

Finished goods

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

2 Summary of Significant Accounting Policies (cont'd)

(m) Inventories (cont'd)

Work in progress

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

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

(n) 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, and fixed deposits with banks.

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 companies, 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 Company and 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 company, 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.

2 Summary of Significant Accounting Policies (cont'd)

(s) Borrowing 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.

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.

(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

(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 net of goods and services tax and sales returns.

(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.

(iv) Interest income

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

2 Summary of Significant Accounting Policies (cont'd)

(u) Revenue Recognition (cont'd)

(v) <u>Dividend income</u>

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

Group revenue excludes intercompany transactions.

(vi) <u>Rental income</u>

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

(vii) <u>Service fee income</u>

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

(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.

(w) Foreign Currency Translation

(i) <u>Functional and presentation currency</u>

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.

2 Summary of Significant Accounting Policies (cont'd)

(w) Foreign Currency Translation (cont'd)

(ii) Translation and balances

Transaction in a currency other than the functional currency ("foreign currency") are translated in the functional currency using the exchange rates prevailing at the dates of such transactions and from the transaction at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies 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 Company 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.

3 Effect on Financial Statements on Adoption of New and Revised FRS

FRS 27 (revised) Consolidated and Separate Financial Statements

Previously, there was no requirement for the presentation of minority interests within equity. FRS 27 (revised) requires minority interests to be presented with equity of the Group retrospectively.

FRS 32 (revised) Financial Instruments: Disclosure and Presentation
FRS 39 (revised) Financial Instruments: Recognition and Measurement

(a) Classification and consequential accounting for financial assets and financial liabilities

(i) Previously, the Group's equity investments which were intended for sale in the short term were stated at the lower of cost and market value determined on an individual basis. In accordance with FRS 39 (revised), these investments are now classified in the "available-for-sale financial assets" category and are initially recognised at fair value plus transaction costs and subsequently re-measured to fair value at the balance sheet date with all gains and losses recognised in the fair value reserve within equity. When these investments are sold or impaired, the accumulated fair value adjustments in the fair value reserve within equity are included in the income statement.

In accordance with the transitional provisions of FRS 39, the effects of recognition and measurement of financial instruments, for periods prior to 1 July 2005, is not restated. Consequently, the comparative figures for FY 2005 have not been restated.

The adoption of FRS 39 has resulted in an increase in equity as at 1 July 2005 of the Company and the Group of S$126,668 and S$267,494 respectively.

(ii) Previously, the Group's trade and other payables and bank borrowings were stated at cost. Bank borrowings were stated at the proceeds received and transaction costs on borrowings were classified as deferred charges and amortised on a straight-line basis over the period of the borrowings. These financial liabilities are not held for trading and have not been designated as fair value through profit or loss at inception on adoption of FRS 39 (revised). In accordance with FRS 39 (revised), they are initially recognised at fair value less transaction costs and subsequently accounted for at amortised cost using the effective interest method. (Note 2 (s)).

This change did not materially affect the financial statements for the year ended 30 June 2006.

(b) Impairment and uncollectibility of financial assets

Previously, the Group maintained a general provision against its trade and other receivables for risks that were not specifically identified to any customer. Investments in equity interests and bonds were reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable. On adoption of FRS 39 (revised), the Group is now required to assess at each balance sheet date if there is objective evidence that a financial asset or group of financial assets is impaired. Impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables (2 (p)).

This change did not materially affect the financial statements for the year ended 30 June 2006.

4 Revenue

	Group	
	2006	**2005**
	S$	**S$**
Revenue comprises the following:		
Revenue from projects	3,017,340	5,468,023
Sale of goods	115,352,002	92,181,289
Rendering of services	3,976,226	3,111,394
	122,345,568	100,760,706

5 Other Operating Income

	Group 2006 S$	Group 2005 S$
Dividend income from quoted investments	19,421	25,328
Gain on disposal of available-for-sale financial assets	517,952	80,723
Gain on disposal of property, plant and equipment	222,728	580,476
Rental income	1,251	22,374
Service fee income	453,790	448,830
Others	78,392	140,105
	1,293,534	1,297,836

6 Distribution and Selling Expenses

	Group 2006 S$	Group 2005 S$
The following items have been included in arriving at distribution & selling expenses:		
Bad trade receivables (recovered)/written off	(38,638)	187,437
Impairment of receivables – trade	22,118	22,250
– non trade	–	2,600

7 Administrative Expenses

	Group 2006 S$	Group 2005 S$
The following items have been included in arriving at administrative expenses:		
Non-audit fees paid to		
- auditors of the Company	1,500	46,930
- other auditors	–	11,120
Depreciation of property, plant and equipment	1,534,665	1,204,158
Directors' remuneration		
- directors of the Company	946,340	873,875
- directors of subsidiaries	1,246,157	1,183,416
Directors' fees		
- directors of the Company	77,000	68,450
Operating lease expenses	545,200	524,736
Impairment of inventories written off/(back)	126,177	(26,028)

In 2005, the Group wrote back provision for impairment of inventories amounting to S$26,028 mainly due to sale of inventories previously provided.

8 Other Operating Expenses

	Group	
	2006	2005
	S$	S$
The following items have been included in arriving at other operating expenses:		
Foreign exchange loss (net) due to devaluation of US$ against S$	998,997	203,290
Impairment loss on goodwill	–	10,755
Loss on disposal of associated company - quoted	–	422,648
Loss on disposal of quoted investment	–	4,107,510
Property, plant and equipment written off	1,612	–
Impairment loss on property, plant and equipment	–	2,500,377
Impairment loss on available-for-sale financial assets	–	108,441

9 Personnel Expenses

	Group	
	2006	2005
	S$	S$
Wages, salaries and bonuses	5,231,505	6,241,692
Pension fund contributions	506,966	484,323
Other personnel expenses	105,781	143,759
Directors' remuneration	2,269,497	2,125,741
	8,113,749	8,995,515

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 24.

	Group	
	2006	2005
	S$	S$
Wages, salaries and bonuses	250,541	806,890
Pension fund contributions	–	28,656
Other project staff costs	–	1,550
	250,541	837,096
Key management personnel compensation is as follows:		
Services and other short-term employee benefits	1,373,270	1,474,479
Post employment benefits – contribution to CPF	79,690	99,128
	1,452,960	1,573,607

10 Finance Income

	Group 2006 S$	Group 2005 S$
Interest income		
– bank balances	231,733	99,978
– fixed deposits	34,494	788
	266,227	100,766

11 Finance Costs

	Group 2006 S$	Group 2005 S$
Interest expense		
– finance leases	–	5,040
– bank overdrafts	286,928	265,145
– bills payable to banks	644	5,874
– trade creditor	4,201	7,292
	291,773	283,351
Bank charges	177,420	165,201
	469,193	448,552

12 Income Tax

	Group 2006 S$	Group 2005 S$
Current tax – continuing operations		
– current year	1,133,947	1,359,182
– under/(over)provision in respect of prior years	13,048	(192,083)
Deferred tax – continuing operations		
– current year	9,424	21,970
– overprovision in respect of prior years	–	(12,526)
	1,156,419	1,176,543

12 Income Tax (cont'd)

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

	Group	
	2006 S$	2005 S$
Profit/(loss) before taxation and share of results of associated companies	1,976,082	(3,917,602)
Tax at the applicable tax rate of 20% (2005: 20%)	395,216	(783,520)
Tax effect of expenses that are not deductible in determining taxable profit	303,157	1,737,021
Tax effect of income that are not taxable in determining taxable profit	(171,498)	(26,241)
Under/(over) provision in respect of prior years	13,048	(204,609)
Deferred tax asset not recognised	386,935	297,079
Effect of different tax rates in other countries	(57,901)	–
Others	287,462	156,813
	1,156,419	1,176,543

The Group

The Group has unutilised tax losses and unabsorbed capital allowances of approximately S$9,418,416 and S$Nil respectively as at 30 June 2006 (2005: S$7,819,925 and S$423,096) available for offset against future taxable profits, subject to compliance with the relevant provisions of the tax legislation of the respective countries in which the subsidiaries operate and agreement with the tax authorities. The potential deferred tax assets arising from these unutilised tax losses and unabsorbed capital allowances have not been recognised in the financial statements in accordance with the accounting policy as stated in Note 2 to the financial statements.

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

	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$
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 Timing differences	32,800	–	–	–	32,800

13 Discontinued Operations

During the year 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 during the year.

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

	Group	
	2006	2005
	S$	S$
Revenue	13,345,714	34,845,171
Cost of sales	(12,435,024)	(34,132,471)
Gross profit	910,690	712,700
Other operating income	74,555	81,900
Expenses	(1,094,029)	(3,501,949)
Finance costs	(3,162)	(9,059)
Loss from discontinued operations before tax	(111,946)	(2,716,408)
Tax	–	605,469
Loss from discontinued operations after tax	(111,946)	(2,110,939)
Pre-tax loss of disposal group:		
Gain on disposal of investments in subsidiaries	419,018	–
Tax	–	–
Post-tax gain of disposal group	419,018	–
Total profit/(loss) from discontinued operations	307,072	(2,110,939)
Attributable to:		
Equity holders of the company (Note 14)	491,434	(1,108,591)
Minority interest	(184,362)	(1,002,348)
	307,072	(2,110,939)

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

	Group	
	2006	2005
	S$	S$
Operating cash flows	(1,295,194)	1,030,639
Investing cash flows	(1,808,563)	(197,138)
Financing cash flows	(14,699)	347,124
Total cash flows	(3,118,456)	1,180,625

13 Discontinued Operations (cont'd)

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:

	Group	
	2006	2005
	S$	S$
Loss before taxation	(111,946)	(2,716,408)
Tax at the applicable tax rate of 20% (2005: 20%)	(22,389)	(543,281)
Tax effect of expenses that are not deductible in determining taxable profit	22,389	857,243
Over provision in respect of prior years	–	(717,578)
Effect of different tax rates in other countries	–	(201,583)
	–	(605,469)

14 Earnings/Loss per Share

(a) Continuing Operations

Basic loss per share from continuing operations is calculated by dividing the Group loss from continuing operations attributable to shareholders of S$1,345,789 (2005: S$7,697,562) by the weighted average number of shares in issue during the year of 1,164,620,765 shares (2005: weighted average of 1,149,484,200 shares).

As at 30 June 2005, 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 2005, therefore, the effect of anti-dilutive potential ordinary shares are ignored in calculating diluted earnings/loss as per share.

As at 30 June 2006, 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.

(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$491,434 (2005: loss of S$1,108,591) by the weighted average number of shares in issue during the year of 1,164,620,765 shares (2005: weighted average of 1,149,484,200 shares).

As at 30 June 2005, 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.

As at 30 June 2006, 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.

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

15 Property, Plant and Equipment

Year 2006	At Cost									At valuation		
	Freehold Properties S$	Leasehold Properties S$	Leasehold buildings & improvements S$	Machinery, tools & equipment S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture & fittings S$	Renovation S$	Building S$	Freehold properties S$	Total S$
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

15 Property, Plant and Equipment (cont'd)

	At Cost									At valuation		
Year 2005	Freehold Properties S$	Leasehold Properties S$	Leasehold buildings & improvements S$	Machinery, tools & equipment S$	Motor vehicles S$	Computers S$	Office equipment S$	Furniture & fittings S$	Renovation S$	Building S$	Freehold properties S$	Total S$
Group												
Cost or Valuation												
As at 1.7.2004	1,013,000	832,410	345,439	6,144,517	2,051,042	933,636	818,642	585,417	640,681	255,000	7,019,592	20,639,376
Additions	277,200	–	–	2,757,140	372,857	180,216	18,232	70,153	–	–	–	3,675,798
Transfer to assets held for sale (Note 21)	–	–	–	(404,237)	–	–	–	–	–	–	–	(404,237)
Disposals/write off	–	–	–	(877,020)	(386,759)	(19,062)	–	(6,419)	–	–	–	(1,289,260)
Reclassification	–	–	–	519,631	–	–	–	–	(519,631)	–	–	–
Currency realignment	8,475	(13,496)	(280)	(7,203)	2,253	183	(7,246)	887	–	–	–	(16,427)
As at 30.6.2005	1,298,675	818,914	345,159	8,132,828	2,039,393	1,094,973	829,628	650,038	121,050	255,000	7,019,592	22,605,250
Accumulated depreciation												
As at 1.7.2004	49,775	122,976	299,157	3,535,857	1,229,200	712,301	717,854	504,641	352,098	–	2,308	7,526,167
Charge for the year	7,508	36,143	7,072	929,001	256,755	98,021	36,748	26,596	7,496	–	596	1,405,936
Impairment loss		624,324			15,338	5,030	7,900	11,419	–	5,000	2,386,688	3,055,699
Disposals/write off				(228,156)	(301,632)	(18,421)	–	(4,302)	–	–	–	(552,511)
Reclassification	–	–	–	268,620	–	–	–	–	(268,620)	–	–	–
Currency realignment	1,840	(1,068)	(190)	(2,830)	58	228	(7,017)	552	–	–	–	(8,427)
As at 30.6.2005	59,123	782,375	306,039	4,502,492	1,199,719	797,159	755,485	538,906	90,974	5,000	2,389,592	11,426,864
Net book value												
As at 30.6.2005	1,239,552	36,539	39,120	3,630,336	839,674	297,814	74,143	111,132	30,076	250,000	4,630,000	11,178,386

15 Property, Plant and Equipment (cont'd)

Company	At Cost							At Valuation	
Year 2006	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$
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
Year 2005									
Cost or Valuation									
As at 1.7.2004	249,762	49,025	381,242	87,478	19,980	69,108	52,248	5,874,592	6,783,435
Additions	–	–	–	11,002	6,750	2,666	–	–	20,418
Disposal	–	–	–	(13,619)	–	–	–	–	(13,619)
As at 30.6.2005	249,762	49,025	381,242	84,861	26,730	71,774	52,248	5,874,592	6,790,234
Accumulated depreciation									
As at 1.7.2004	76,849	45,853	267,180	71,668	14,606	64,838	16,211	2,308	559,513
Charge for the year	7,685	1,267	27,278	8,864	1,570	1,870	6,855	596	55,985
Provision for impairment loss	128,688	–	–	–	–	–	–	2,371,688	2,500,376
Disposal	–	–	–	(13,619)	–	–	–	–	(13,619)
As at 30.6.2005	213,222	47,120	294,458	66,913	16,176	66,708	23,066	2,374,592	3,102,255
Net book value									
As at 30.6.2005	36,540	1,905	86,784	17,948	10,554	5,066	29,182	3,500,000	3,687,979

15 Property, Plant and Equipment (cont'd)

Group

The Group's freehold land and building stated at valuation were valued by the directors on the basis of open market value for existing use. Had the freehold land and building been stated at cost less accumulated depreciation, the net book value of the freehold land and building as at 30 June 2005 would have been approximately S$8,926,550. The freehold land and building were disposed off during the year mainly due to the disposal of subsidiaries.

As at 30 June 2006, the Group had motor vehicles under finance leases with a net book value of approximately S$306,962 (2005: S$477,441).

16 Interests in Subsidiaries

(a) Interests in subsidiaries comprise:

	Company	
	2006 S$	2005 S$
Unquoted equity shares at cost	23,515,995	21,522,881
Additional investment in subsidiaries	2,110	2,693,114
Disposal of subsidiaries	(9,050,798)	(700,000)
	14,467,307	23,515,995
Less: Impairment loss	(510,000)	(7,118,068)
Carrying amount after impairment loss	13,957,307	16,397,927
Loans to subsidiaries	17,884,242	1,634,080
	31,841,549	18,032,007
Movements in impairment loss of investment during the year are as follows:		
At beginning of year	(7,118,068)	(6,754,625)
Charge to income statement	–	(1,063,443)
Reversal upon disposal of subsidiaries	6,608,068	700,000
At end of year	(510,000)	(7,118,068)

The loans to subsidiaries, which form part of the net investments in subsidiaries, are unsecured, interest-free and not expected to be repaid in the foreseeable future.

Notes to the Financial Statements

for the financial year ended 30 June 2006

16 Interests in Subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June 2006:

Name of Company, Country of incorporation and Place of Business	Principal Activities	Cost of investment held by the Company 2006 S$	Cost of investment held by the Company 2005 S$	Effective equity interest held by the Group 2006 %	Effective equity interest held by the Group 2005 %
Held by the Company					
Antig Investments Pte. Ltd. Singapore	Investment holding	2	2	100	100
Mid-Continent Equipment Group Pte Ltd Singapore	Investment holding and supply of equipment, tools and accessories used in the oil drilling business, distribution of tabular products, equipment and spares, provision of environmental and waste management services, fabrication and installation of control systems and testing of valve actuation	13,957,305	13,957,305	54.35	54.35
Strike Development Pte Ltd Singapore	Property development	510,000	510,000	51	51
Victrad Enterprise (Pte) Ltd Singapore	Electrical contracting and the provision of project management services	–	2,264,303	–	100
Strike Construction Pte Ltd Singapore	Building construction and installation, provision of electrical and mechanical engineering services	–	260,439	–	52
Gordon (H.K.) Designer & Engineer Limited [1] Hong Kong	Interior architecture, design and decoration services	–	5,630,832	–	51
Development Bank of Strike [6] Myanmar	Financial Services	–	893,114	–	75
		14,467,307	23,515,995		

16 Interests in Subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June 2006 (cont'd):

Name of Company, Country of incorporation and Place of Business	Principal Activities	Cost of investment held by the Company 2006 S$	2005 S$	Effective equity interest held by the Group 2006 %	2005 %
Held by Antig Investments Pte. Ltd.					
PT Deefu Chemical Indonesia [2] Indonesia	Trading in Chemical materials	–	–	72.00	–
Held by PT Deefu Chemical Indonesia					
PT Batubara Selaras Sapta [2] Indonesia	Coal mining and marketing of coal products	–	–	68.40	–
Held by Mid-Continent Equipment Group Pte Ltd					
Mid-Continent Petro-Chemical Pte Ltd Singapore	Market chemicals, equipment and other petro-chemical related products to refineries	–	–	54.35	54.35
Mid-Continent Equipment (Australia) Pty Ltd [3] Australia	Supply of oilfield and mining equipment	–	–	54.35	54.35
Mid-Continent Enterprises, LLC [5] USA	Holding of warehouse property	–	–	54.35	54.35
Mid-Continent Equipment, Inc. [4] USA	Oilfield equipment supply	–	–	54.35	54.35
Mid-Continent Environmental Project Pte Ltd Singapore	Sale and rental of decanters and provision of environmental and waste management services	–	–	54.35	54.35
Wilmax Control Systems Pte Ltd Singapore	Fabrication of control systems, installation and testing of valve actuation	–	–	27.72	27.72

16 Interests in Subsidiaries (cont'd)

(b) The Company and the Group had the following subsidiaries as at 30 June 2006 (cont'd):

Name of Company, Country of incorporation and Place of Business	Principal Activities	Cost of investment held by the Company 2006 S$	Cost of investment held by the Company 2005 S$	Effective equity interest held by the Group 2006 %	Effective equity interest held by the Group 2005 %
Held by Mid-Continent Equipment Group Pte Ltd					
Citation Exploration Services Pte Ltd Singapore	Provision of drilling services to mining industry	–	–	27.72	27.72
Held by Wilmax Control Systems Pte Ltd					
Wilmax Engineering Pte Ltd Singapore	Designing and fabrication of skid mounted process system and aviation refuelling system	–	–	19.68	19.68
Peninsular Offshore Systems Sdn Bhd [6] Malaysia	Supply of oilfield equipment and provision of related services	–	–	14.14	14.14
Held by Mid-Continent Equipment (Australia) Pty Ltd					
Tubular Leasing Australia Pty Ltd [3] Australia	Renting or leasing drill pipes and drilling accessories	–	–	27.72	27.72
Held by Citation Exploration Services Pte Ltd					
Citation Drilling Services (Shanghai) Co., Ltd [6] China	Provision of drilling services to mining industry	–	–	27.72	–
Held by Strike Construction Pte Ltd					
Progressive Builders Private Limited Singapore	Provision of project management, building construction and installation services and related activities	–	–	–	100.00

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

1 Audited by Ho Tak Sang & Co, Hong Kong.
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 required to be audited under the laws of its country of incorporation and is considered not significant to the Group.
6 Not audited as the subsidiary is considered not significant to the Group.

17 Associated Companies

(a) Investment in associated companies held by subsidiaries, comprises:

	Group		Company	
	2006 S$	2005 S$	2006 S$	2005 S$
Unquoted equity shares at cost	22,350	22,350	–	–
Balance at 1 July	8,298	10,283		
Share of post-acquisition profits/(losses)	60,127	(1,985)	–	–
Balance at 30 June	68,425	8,298	–	–

	Group	
	2006 S$	2005 S$
The summarised financial information of associated companies are as follows:		
– Assets	2,126,072	3,048,803
– Liabilities	1,658,365	2,419,023
– Revenues	5,898,509	7,089,938
– Net loss	(129,650)	(215,339)

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

Name of Company, Country of incorporation and Place of Business	Principal Activities	Cost of investment		Effective equity interest held by the Group	
		2006 S$	2005 S$	2006 %	2005 %
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 Environmenttal 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.

18 Joint Venture Companies

The joint venture companies are held by various subsidiaries of the company. Details of the joint venture companies 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 2006 %	2005 %
Plant Tech-Mid Continent Industrial Services Pte Ltd Singapore[1]	Catalyst handling and reactor maintenance; hot-tapping and allied services; and bolt tensioning services	27.18	27.18
Mid-Continent Tubular Pte Ltd[2] Singapore	Trading of oilwell tubular products and the provision of related services	27.18	27.18

1 This joint venture company was not consolidated on a line-by-line basis as it was incorporated just prior to the financial year end and is considered not significant to the Group.

2 The subsidiary, Mid-Continent Equipment Group Pte Ltd, has a 50% interest amounting to S$500,000 (2005: S$500,000) at cost in this joint venture company. The subsidiary's share of the joint venture company's assets and liabilities which have been consolidated on a line-by-line basis are as follows:

	Group 2006 S$	Group 2005 S$
Plant & Equipment	11,658	10,374
Long-term quoted investments	273,152	458,005
Current assets	28,985,392	13,677,295
Current liabilities	(21,680,120)	(8,547,544)
Deferred taxation	(865)	(915)
	7,589,217	5,597,215

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

	Group 2006 S$	Group 2005 S$
Revenue	51,335,425	33,044,078
Profit before income tax	3,333,047	2,834,595
Income tax expense	(639,175)	(520,783)
Profit for the financial year	2,693,872	2,313,812

The subsidiary, Mid-Continent Environmental Project Pte Ltd, entered into a contractual agreement with third party to incorporate a company in India named, Plant Tech-Mid Continent (India) Private Limited. As at 30 June 2006, the shareholding of the subsidiary in Plant Tech-Mid Continent (India) Private Limited is subject to approval by the government authority in India.

19 Goodwill on Consolidation

	Group	
	2006	2005
	S$	S$
Cost		
Balance at 1 July		
As previously reported	1,855,703	9,816,307
Effect of adoption of FRS 103 (Note 2 c)	–	(1,155,050)
As adjusted	1,855,703	8,661,257
Acquisition of a subsidiary	7,548,893	–
Disposal of shares in subsidiaries	(66,000)	–
Disposal of shares in an associated company	–	(6,794,799)
Impairment loss on goodwill	–	(10,755)
Balance at 30 June	9,338,596	1,855,703

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	
	2006	2005
	S$	S$
Mid-Continent Equipment Group Pte Ltd	1,789,703	1,789,703
PT Deefu Chemical Indonesia	7,548,893	–
Progressive Builders Private Limited	–	66,000
	9,338,596	1,855,703

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 three years and extrapolates cash flows for the following three years based on an estimated growth of 2.8% (2005: 2.3%). The rate used to discount the forecast cash flows of the CGU was 2.8% (2005: 2.3%).

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

Goodwill relating to the newly acquired subsidiary, PT Deefu Chemical Indonesia, was determined based on fair valuation of assets and liabilities as at acquisition date. As the subsidiary was only acquired on 13 June 2006 and has not commenced operations yet as at 30 June 2006, the directors do not consider it necessary to measure the value in use of the CGU as at 30 June 2006.

20 Intangible Assets

	Group 2006 S$	Group 2005 S$
Cost		
Balance at 1 July	–	–
- 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	–
- 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	–
Balance at 30 June	44,318,813	–

As at 30 June 2006, the Group has not commenced mining operations relating to the coal concession rights.

21 Assets Held for Sale

	Group 2006 S$	Group 2005 S$
Machinery, tools and equipment	–	404,237

During the year 2005, the asset held for sale pertained to a drilling rig purchased by the newly incorporated subsidiary, Citation Exploration Services Pte Ltd ("CSE"). The asset has been sold by the subsidiary during the year.

22 Available-for-Sale Financial Assets

	Group		Company	
	2006 S$	2005 S$	2006 S$	2005 S$
Quoted Equity Shares				
Balance at 1 July				
At cost	4,053,448	564,055	1,551,001	–
Effect of adopting FRS 39 (Note 2j)	71,120	–	126,668	–
Adjusted balance at 1 July	4,124,568	564,055	1,677,669	–
Additions	2,438,385	3,489,393	–	1,551,001
Disposals	(1,863,201)	–	–	–
Currency realignment	(24,710)	–	–	–
Fair value loss transferred to equity	(168,364)	–	(45,824)	–
Impairment loss	–	(196,019)		
Balance at 30 June	4,506,678	3,857,429	1,631,845	1,551,001

23 Inventories

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
Finished goods:	21,797,667	9,263,496	–	68,319
Work-in-progress	2,679,928	3,714,649	–	–
Goods-in-transit	1,468,740	477,518	–	–
	25,946,335	13,455,663	–	68,319
Cost of inventories recognised as expense and included in Cost of Sales amounted to:	101,686,201	78,559,187	240,927	402,755

24 Projects-in-progress/Progress Billings in Excess of Costs

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
Projects-in-progress				
Project costs	2,701,880	92,269,640	2,701,880	28,740,956
Attributable profits	–	8,369,623	–	2,663,466
Less: Provision for foreseeable project losses	–	(590,314)	–	(173,277)
	2,701,880	100,048,949	2,701,880	31,231,145
Less: Progress billings received and receivable	(2,572,966)	(89,509,988)	(2,572,966)	(30,518,518)
	128,914	10,538,961	128,914	712,627

Analysis of provision for foreseeable project losses:

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
Balance at beginning of year	590,314	–		–
Charge during the year	–	590,314	173,277	173,277
Completion of projects	(173,277)	–	(173,277)	–
Attributable to disposal of subsidiaries	(417,037)	–	–	–
	–	590,314	–	173,277
Progress billings in excess at costs				
Progress billings received and receivable	9,183,017	56,195,920	9,183,017	5,311,180
Less: Project costs	(8,170,091)	(50,670,731)	(8,170,091)	(4,937,344)
Less: Attributable profits	199,514	(2,615,848)	199,514	(245,429)
	1,212,440	2,909,341	1,212,440	128,407

Included in projects-in-progress and progress billings in excess of cost during the year are personnel expenses of the Group and the Company amounting to S$250,541 (2005: S$837,096) and S$250,541 (2005: S$837,096) respectively as disclosed in Note 9.

25 Trade Receivables

	Group 2006 S$	Group 2005 S$	Company 2006 S$	Company 2005 S$
Trade receivables	22,621,285	21,314,633	105	100,231
Less: Impairment loss	(149,100)	(886,355)	–	–
	22,472,185	20,428,278	105	100,231

Included in the trade receivables is an amount of S$236,009 (2005: Nil) due from a customer with dispute on product quality supplied by a subsidiary. As at 30 June 2006, impairment loss has not been made as the directors are of opinion that the subsidiary has contractually fulfilled the requirements of the customers at the time of supply. Furthermore, any potential loss to be incurred from this dispute can be recovered from insurance claim.

The trade receivables of the Group are significantly denominated in United States dollars.

26 Other Receivables, Deposits and Prepayments

	Group 2006 S$	Group 2005 S$	Company 2006 S$	Company 2005 S$
Other receivables	1,924,859	1,034,358	600,353	12,771
Proceeds due from purchasers for the disposal of subsidiaries	2,345,232	–	2,345,232	–
Deposits	55,926	1,228,658	55,926	10,026
Prepayments	11,029	52,849	11,029	–
Interest receivable	18,843	–	18,843	–
Advances to staff	–	7,400	–	4,200
Tax recoverable	256,565	251,127	525,996	385,691
	4,612,454	2,574,392	3,557,379	412,688

The other receivables of the Group and the Company are significantly denominated in Singapore dollars.

27 Related Companies / Parties Balances

	Group		Company	
	2006 S$	2005 S$	2006 S$	2005 S$
The amounts due are denominated in the following currencies:				
Subsidiaries				
Due from - Singapore dollar (non-trade)	–	–	116,518	800,855
Due to - Singapore dollar (trade)	–	–	–	(69,697)
Associated companies				
Due from - Singapore dollar (non-trade)	–	768,111	–	–
Due from - Singapore dollar (trade)	756,631	189,594	–	–
	756,631	957,705	–	–
Related parties				
Due from - Singapore dollar (non-trade)	154,098	154,098	–	–
Due to – Singapore dollar (non-trade)	(49,000)	–		
Due to – United States dollar (trade)	(11,811,010)	(1,881,707)	–	–
	(11,860,010)	(1,881,707)	–	–
Joint venture company				
Due from - Singapore dollar (non-trade)	220,199	–	–	–
Due from - United States dollar non-trade)	154	–	–	–
	220,353	–	–	–
Due to – United States dollar (trade)	6,243,783	4,383,837	–	–
Minority shareholders of subsidiaries				
Due from – India Rupee (non-trade)	101,660	–	–	–
Due to – Singapore dollar (non-trade)	8,860	44,998	–	–
Due /to – Others (trade)	–	779,783	–	–
	8,860	824,781	–	–

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.

The amount due from related parties pertains to an amount due from a director of a subsidiary. It is interest free, unsecured and repayable on demand.

28 Fixed Deposits

Fixed deposits bears interest ranging from 0.7% to 4.3% (2005: 0.5% to 3.0%) per annum.

A subsidiary's fixed deposits of S$6,106,278 (2005: S$5,858,531) are pledged as security to certain banks for credit facilities granted to various subsidiaries. The credit facilities of US$2,000,000 and US$650,000 are unutilised as at year end.

The remaining fixed deposits of the Group of S$14,908,804 (2005: S$220,472) and the Company's fixed deposits of S$14,874,000 (2005: S$Nil) are free from encumbrances.

Fixed deposits at the balance sheet date have an average maturity of up to 12 months (2005: 12 months) from the end of the financial year.

The fixed deposits are denominated in the following currencies:

	Group		Company	
	2006 S$	2005 S$	2006 S$	2005 S$
United States dollars	1,650,538	1,454,930	–	–
Singapore dollars	19,250,979	4,423,328	14,874,000	–
Malaysian ringgit	34,804	104,658	–	–
Australian dollar	78,761	96,087	–	–
	21,015,082	6,079,003	14,874,000	–

29 Trade Payables

Trade payables of the Group are mostly denominated in United States dollars.

30 Other Payables and Accruals

	Group		Company	
	2006 S$	2005 S$	2006 S$	2005 S$
Other payables	34,470	1,958,287	34,470	22,310
Amount payable in relation to acquisition of a subsidiary	13,229,561	–	–	–
Accrued operating expenses	161,273	1,906,279	112,452	184,099
Advance from customers	–	715,834	–	–
	13,425,304	4,580,400	146,922	206,409
Less: Non-current portion of amount payable in relation to acquisition of subsidiary	(5,705,056)	–	–	–
	7,720,248	4,580,400	146,922	206,409
Other payables and accruals are denominated in the following currencies:				
Singapore dollar	193,278	717,582	146,922	206,409
United States dollar	13,229,561	–	–	–
Others	2,465	3,862,818	–	–
	13,425,304	4,580,400	146,922	206,409

31 Short term Bank Loan and Term Loans (secured)

(a) The Group's short term bank loan is denominated in United States dollar and bear interest at 6.3% (2005: 5.69% to 6.26%). This loan is covered by a letter of guarantee from the shareholder of the joint venture company.

(b) The term loan of HK$3,200,000 from a subsidiary in 2005 had an interest at 2% per annum below the HK$ prime rate and was repayable over 85 monthly instalments. The final instalment was repayable on maturity on Aug 2010. The loan was secured on the personal property of a subsidiary's director. This subsidiary was disposed during the financial year.

32 Finance Lease Obligations

Group	Minimum payments S$	Interest S$	Present value of payments S$
2006			
1 year to 5 years	66,611	(5,500)	61,111
Within 1 year	39,967	(3,300)	36,667
	106,578	(8,800)	97,778
2005			
1 year to 5 years	164,737	(22,564)	142,173
Later than 5 years	17,664	(2,450)	15,214
	182,401	(25,014)	157,387
Within 1 year	80,561	(5,540)	75,021
	262,962	(30,554)	232,408

The effective interest rate of these leases range from 4.505% to 5.680% (2005: 4.15% to 7.12%) per annum.

33 Bills Payable to Banks (unsecured)

The effective interest rates of the bills payable range from 3.5625% to 6.39% (2005: 2.375% to 7.38%) per annum.

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

	Group		Company	
	2006 S$	2005 S$	2006 S$	2005 S$
United States dollars	454,762	396,580	–	–
Singapore dollars	317,571	942,171	454,762	942,171
	772,333	1,338,751	454,762	942,171

34 Bank Overdrafts (unsecured)

The effective interest rates of the unsecured bank overdrafts range from 6.00% to 8.25% (2005: 5.70% to 6.75%) per annum.

The bank overdrafts (unsecured) are denominated in the following currencies:

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
United States dollars	232,553	13,304	–	–
Singapore dollars	–	564,965	–	–
	232,553	578,269	–	–

35 Share Capital

	Group and Company			
	2006		2005	
	No of shares	S$	No of shares	S$
Ordinary shares issued and fully paid:				
Balance at 1 July	1,149,484,200	57,474,210	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	–	–
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	1,544,456,475	89,991,816	1,149,484,200	57,474,210

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

On 30 January 2006, in accordance with the Companies (Amendment) Act 2005, the concepts of “par value” and “authorised capital” was abolished and on that date, the shares of the Company ceased to have a par value.

36 Reserve

	Group		Company	
	2006	2005	2006	2005
	S$	S$	S$	S$
Share premium reserve (a)	–	3,842	–	3,842
Translation reserve (b)	(439,055)	(105,664)	–	–
Capital reserve (c)	45,608	3,943,807	–	3,789,964
Fair value reserve (d)	(97,244)	–	80,844	
Accumulated losses	(36,033,394)	(35,353,809)	(39,381,912)	(38,069,773)
	(36,524,085)	(31,511,824)	(39,301,068)	(34,275,967)

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

(a) Share premium reserve

Share premium relates to the surplus over the par value of ordinary shares upon conversion of Warrant 2003 and Warrant 2006 and the amount was transferred to share capital as Warrant 2006 expired in April 2006 and Warrant 2003 expired in December 2003.

(b) 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.

(c) Capital reserve

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

(d) Fair value reserve

Fair value reserve records the cumulative fair value change of available-for-sale quoted investments until they are derecognised or impaired.

37 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	
	2006	**2005**
	S$	**S$**
Within 1 year	220,960	331,164
After 1 year but not more than 5 years	180,315	100,055
	401,275	431,219

38 Contingent Liabilities (unsecured)

Contingent liabilities not provided for in the financial statements:

	Group		Company	
	2006	**2005**	**2006**	**2005**
	S$	**S$**	**S$**	**S$**
Products warranty	135,200	1,425,290	135,200	52,000
Performance bonds indemnity	3,294,960	3,385,980	3,294,960	17,988
	3,430,160	4,811,270	3,430,160	69,988

(i) There is a claim against a subsidiary by a claimant for certain defective fixtures constructed and supplied by the subsidiary. The claimant is seeking damages of approximately S$60,000. The directors of the subsidiary on the advice of legal counsel are of the view that the claim is without merit. The subsidiary has also engaged external assessors to determine the merit of the claimant's claim and on their advice, the damages would only amount to a maximum of S$3,000.

39 Capital Commitments

	Group	
	2006	**2005**
	S$	**S$**
Capital expenditure not provided for in the financial statements		
- commitments in respect of capital contribution in a subsidiary	–	117,286
- commitments in respect of contracts placed	1,065,843	3,601,000
	1,065,843	3,718,286

40 Subsequent Events

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

Company

(a) On 4 August 2006, IPCO International Limited ("IPCO") and the Company entered into a shareholders' agreement to jointly acquire Auriga Pte. Ltd. ("Auriga"), a private company limited by shares incorporated on 26 July 2006 with an initial issued and paid up capital of S$1.00. Its principal activity is that of an investment holding company. Auriga will subsequently increase its paid-up capital to S$100,000, with IPCO contributing 60% while the balance of 40% shall be contributed by the Company.

(b) On 4 August 2006, Auriga entered into a non-binding Memorandum of Understanding ("**MOU**") with Xinjiang Jietong Petroleum Co., Ltd. 新疆捷通石油燃料有限公司 ("**Jietong**"), and Oiltex Pte Ltd ("**Oiltex**") to establish and operate a joint venture company (the "**PRC JV Co**") for the purpose of carrying out the business relating to the supply, distribution and sale of oil and gas products in the PRC.

The proposed initial registered capital of the PRC JV Co is RMB166.67 million. Jietong's contribution to the capital shall be the transfer to the PRC JV Co of its assets and business as a going concern and of all its assets free of all liens and encumbrances whatsoever, including all rights, contracts, licenses, properties both tangible and intangible, of a value of RMB66.66 million, which will represent approximately 40% of the initial registered capital of the PRC JV Co. Wheras Auriga's contribution shall be in the form of a cash injection of up to RMB100 million which will represent approximately 60% of the initial registered capital of the PRC JV Co.

The proposed shareholding of the PRC JV Co shall be as follows:-

Auriga – 51%
Jietong – 40%
Oiltex – 9%

Oiltex will receive the 9% stake in the PRC JV Co as finders' fees.

(c) On 8 August 2006, the Company entered into a Sale and Purchase Agreement ("**SPA**") with the shareholders of Bridging Resources Ltd ("**BRL**") and Songyuan Yongda Oilfields Exploration and Technology Co., Ltd. (松原市永达油田开发高新技术有限责任公司) (Business Licence No: 2207001160021) ("**Yongda**") namely, Mr Seah Cheng Heng and Mdm Wang Jing respectively, for the acquisition of the entire issued share capital of BRL and indirectly, a 75% equity interest in Yongda, for an aggregate purchase consideration of up to S$26.6 million. The completion for the acquisition of BRL and indirectly Yongda shall be on or before 14 October 2006.

41 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 five main operating segments, namely:

- Electrical engineering
- Building and Mechanical engineering
- Architecture and design
- Property development
- Oilfield equipment supply and services and Others

Latest 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	(1,465)	–	(43)	5,630	(578)	–	3,544	(55)	287	79		311	3,855
Financial costs							(469)					(3)	(472)
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)

41 Segment Information (cont'd)

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

Latest year 30/06/2006	Continuing operations							Discontinued operations					Total
	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	operations
Other information	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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)	–	(59,039)	–	–	–	–	–	(59,039)
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

41 Segment Information (cont'd)

(a) Business Segments (cont'd)

Previous year 30/06/2005	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	3,139	895	1,765	94,962	–		100,761	3,614	20,587	10,644		34,845	135,606
Inter-segment revenue	565	–	–	–	–	(565)	–	–	5,756	–	(5,756)	–	–
(Loss) profit from operations	(700)	(277)	(233)	6,511	(685)	–	4,616	34	(1,174)	(1,552)		(2,692)	1,924
Financial costs							(449)					(9)	(458)
Share of results of associated companies							81					–	81
Unallocated corporate expenses							(8,140)					(15)	(8,155)
Tax							(1,202)					605	(597)
Minority interests							(2,603)					1,002	(1,601)
Loss attributable to shareholders							(7,697)					(1,109)	(8,806)
Other information													
Assets	5,122	1,460	62	51,643	1,720	–	60,007	1,425	8,116	10,494	–	20,035	80,042
Intangible assets	–	–	–	–	–	–	–	–	–	–	–	–	–
Total assets	5,122	1,460	62	51,643	1,720	–	60,007	1,425	8,116	10,494	–	20,035	80,042
Liabilities	(1,645)	(469)	(19)	(21,396)	(2,407)	–	(25,936)	(270)	(1,538)	(8,732)	–	(10,540)	(36,476)
Unallocated liabilities							(1,816)					(311)	(2,127)
Total liabilities							(27,752)					(10,851)	(38,603)
Capital expenditure	16	4	–	2,946	–	–	2,966	45	259	1	–	305	3,271
Depreciation and amortisation	44	12	–	1,159	–	–	1,215	25	141	36	–	202	1,417
Other non-cash items	4,624	1,318	22	1,052	32	–	7,048	320	1,824	519	–	2,663	9,711

41 Segment Information (cont'd)

(b) Geographical Segments

	Singapore		Australia		Malaysia		Indonesia		China		Others		Total	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
	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	53,000	47,982	31,660	34,165	11,348	5,902	4,391	6,825	1,482	14,025	33,810	26,707	135,691	135,606
Less: Revenue attributable to discontinued operations	(13,109)	(24,147)	–	–	–	–	–	–	(237)	(10,698)	–	–	(13,346)	(34,845)
Revenue from continuing operations	39,891	23,835	31,660	34,165	11,348	5,902	4,391	6,825	1,245	3,327	33,810	26,707	122,345	100,761
Total Assets	76,617	54,595	11,381	12,309	3,829	1,519	52,689	–	529	10,516	415	1,103	145,460	80,042
Capital Expenditure	804	1,500	1,743	1,528	21	24	–	–	140	1	150	219	2,858	3,272

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.

42 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 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 loans	3,223	–	–	–	–	3,223
Other amounts due to bankers	233	–	772	–	–	1,005
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

42 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 (cont'd)						
At 30 June 2005						
Assets						
Cash and cash equivalents	6,079	–	–	–	8,495	14,574
Trade and other receivables	–	–	–	–	23,003	23,003
Other financial assets	–	–	–	–	29,367	29,367
Non-financial assets	–	–	–	–	13,098	13,098
Total Assets	6,079	–	–	–	73,963	80,042
Liabilities						
Trade and other payables	–	–	–	–	20,676	20,676
Term loans	–	–	91	150	–	241
Short term loans	3,409	–	–	–	–	3,409
Other amounts due to bankers	578	–	1,339	–	–	1,917
Lease obligations	75	158				233
Other financial liabilities	–	–	–	–	11,588	11,588
Non-financial liabilities	–	–	–	–	539	539
Total Liabilities	4,062	158	1,430	150	32,803	38,603

(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 debtors and other debtors represent the Group's maximum exposure to credit risk in relation to financial assets. No other financial assets carry a significant exposure to credit risk.

The Group has no significant concentration of credit risk.

(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.

42 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.

(i) Finance lease obligations

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

43 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 assumption s 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 ad 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 years ended 30 June 2006.

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

The Group follows the guidance of FRS 39 (revised) on determining when an investment is other-than-temporary impaired. This determination requires significant judgment, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; 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 flow.

If the assumptions made regarding the duration and extent to which, the fair value is less than its cost, the Group would suffer an additional S$97,244 loss in its 2006 financial statements, being the transfer of the total fair value reserve to the income statement.

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

(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 2006 was S$9,338,596. (2005: S$1,855,703). More details are given in Note 19.

(d) Valuation of Coal Concession Rights

The directors of the Group valued its coal concession rights (Note 20) 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. The Group adopted a conservative approach in generating the inputs for the variables in this model to arrive at the estimated value coal concession rights which include:

– a value of 10 million ton of mineral reserves from the entire concession
– a low current price of US$30 per ton
– a marginal cost extraction is 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 in Petroleum Exploration Licence 101 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 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. Therefore, the directors do not consider it necessary to assess for the impairment of the intangible asset as at year end.

(f) Income Taxes

The Group is subject to income taxes in various jurisdictions. Significant judgment 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.

44 Authorisation of Financial Statements

The financial statements for the year ended 30 June 2006 were authorised for issue in accordance with a resolution of the directors on 9 October 2006.

Group Properties

as at 30 June 2006

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	240,616
9 Barfield Crescent Elizabeth West, Adelaide South Australia	A single storey industrial building	Freehold	2,043.0	Office/Warehouse	193,706
Unit 8, 47 Musgrove Road Coopers Plains Queensland 4108 Australia	Terrace unit with office and warehouse building	Freehold	190.0	Office/Warehouse	255,185
Singapore					
Loyang Offshore Supply Base PO Box 5070 Loyang Crescent Singapore 508988	Two-storey office building/warehouse	Leasehold	7,320.0	Office/Warehouse	24,286
United States of America					
5234 Brittmoore-North Road Harris County Texas 77041 (KM 449C) USA	Office / Warehouse	Freehold	6,493.6	Office/Warehouse	477,088
					1,190,881

Shareholders' Information

as at 19 September 2006

No. of Shares	:	1,544,456,475
Issued and fully paid-up capital	:	S$ 86,198,300
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	12	0.29	3,886	0.00
1,000 – 10,000	1,922	46.03	10,873,590	0.70
10,001 – 1,000,000	2,178	52.17	154,420,270	10.00
1,000,001 and above	63	1.51	1,379,158,729	89.30
	4,175	100.00	1,544,456,475	100.00

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Harry Lee Vui Khiun	15,505,000	1.003	197,000,000[1]	12.755
Co-relative Investments Ltd	–	–	197,000,000[1]	12.755
Neo Kim Hock	12,300,000	0.796	145,494,000[2]	9.420
Neptune Capital Group Ltd	–	–	142,000,000[2]	9.194
Johanes Widjaja	–	–	124,856,364[3]	8.084
Aventi Holdings Limited	–	–	124,856,364[3]	8.084

Notes:

(1) 197,000,000 held in the name of Raffles Nominees (Pte.) Limited for Co-relative Investments Ltd *

* Mr Harry Lee Vui Khiun holds more than 20% in Co-relative Investments Ltd and is therefore deemed substantial shareholder by virtue of section 7 of the Companies Act.

(2) 3,494,000 held in the name of Lim & Tan Securities Pte Ltd for Neo Kim Hock

41,000,000 held in the name of Raffles Nominees (Pte.) Limited for Neptune Capital Group Ltd @

101,000,000 held in the name of UOB Kay Hian Pte Ltd for Neptune Capital Group Ltd @

145,494,000

@ 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.

(3) 124,856,364 held in the name of Raffles Nominees (Pte.) Limited for Aventi Holdings Limited !

! Mr Johanes Widjaja holds more than 20% in Aventi Holdings Limited and is therefore deemed substantial shareholder by virtue of section 7 of the Companies Act.

Shareholders' Information

as at 19 September 2006

SHAREHOLDERS' INFORMATION (CONT'D)

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Raffles Nominees Pte Ltd	364,105,764	23.58
2.	UOB Kay Hian Pte Ltd	112,170,000	7.26
3.	Kim Eng Securities Pte. Ltd.	76,645,600	4.96
4.	Chuan Mei Pheng	68,000,000	4.40
5.	Norani @ Siti Rohani Binti Osman	64,000,000	4.14
6.	OCBC Securities Private Ltd	60,979,000	3.95
7.	G1 Investments Pte Ltd	59,500,000	3.85
8.	Lim & Tan Securities Pte Ltd	57,484,000	3.72
9.	United Overseas Bank Nominees Pte Ltd	54,553,400	3.53
10.	Mohd. Khir Bin Bohri	50,000,000	3.24
11.	HSBC (Singapore) Nominees Pte Ltd	48,258,727	3.13
12.	Sim Chee Keong	46,000,000	2.98
13.	DBS Vickers Securities (S) Pte Ltd	35,041,000	2.27
14.	Friendship Bridge Holding Company Pte Ltd	30,903,000	2.00
15.	Mayban Nominees (S) Pte Ltd	21,173,000	1.37
16.	Phillip Securities Pte Ltd	17,328,090	1.12
17.	Nueviz Investment Private Limited	15,900,000	1.03
18.	Ang Ee Tiong Kenneth	15,596,400	1.01
19.	DBS Nominees Pte Ltd	14,428,600	0.93
20.	Neo Kim Hock	12,300,000	0.80
	Total	1,224,366,581	79.27

Public Float

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of MAGNUS ENERGY GROUP LTD. ("the Company") will be held at 442 Orchard Road Singapore 238879, Orchard Hotel Singapore, Lavender 2 Room on Tuesday, 31 October 2006 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 2006 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 Umar Abdul Hamid	[Retiring under Article 96(2)]	**(Resolution 2)**
Mr Goh Boon Kok	[Retiring under Article 96(2)]	**(Resolution 3)**
Mr Koh Teng Kiat	[Retiring under Article 96(2)]	**(Resolution 4)**
Mr Arwan Ahimsa	[Retiring under Article 78]	**(Resolution 5)**
Mr Harry Lee Vui Khiun	[Retiring under Article 78]	**(Resolution 6)**

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

3. To approve the payment of Directors' fees of S$77,000 for the year ended 30 June 2006 (2005: S$70,000). **(Resolution 7)**

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

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

AS SPECIAL BUSINESS

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

6. **Authority to allot and issue shares up to 50 per centum (50%) of 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 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 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 while this Resolution was in force,

Notice of Annual General Meeting

provided that the aggregate number of shares (including shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution) to be allotted and issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the issued shares in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty per centum (20%) of the issued shares in the capital of the Company and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force (i) until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in accordance with the terms of convertible securities issued, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of such convertible securities.
[See Explanatory Note] **(Resolution 9)**

By Order of the Board

Wong Siew Chuan
Secretary

Singapore
14 October 2006

Explanatory Note:

The Ordinary Resolution 9 proposed in item 6 above, if passed, will empower the Directors from the date of this Meeting until the date of the next Annual General Meeting, or the date by which the next Annual General Meeting is required by law to be held or when varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares, make or grant instruments convertible into shares and to allot and 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 at the time of the passing of this resolution, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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

Notes:

1. A Member entitled to attend and vote at the Annual General 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)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. For investors who have used their CPF monies to buy MAGNUS ENERGY GROUP LTD.'s shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to 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.

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 442 Orchard Road Singapore 238879, Orchard Hotel Singapore, Lavender 2 Room on 31 October 2006 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 2006		
2	Re-election of Mr Umar Abdul Hamid as a Director		
3	Re-election of Mr Goh Boon Kok as a Director		
4	Re-election of Mr Koh Teng Kiat as a Director		
5	Re-election of Mr Arwan Ahimsa as a Director		
6	Re-appointment of Mr Harry Lee Vui Khuin as a Director		
7	Approval of Directors' fees amounting to S$77,000		
8	Re-appointment of Moore Stephens as Auditors		
9	Authority to allot and issue new shares		

Dated this ____________ day of ____________ 2006

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

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