Directors' Business Review

OVERVIEW

For the year ended 31 December 2005, due to the expiry of an Enhanced Oil Recovery Contract with Pertamina of Indonesia on 31 December 2004, the Group's turnover fell 25.6%, or US$11.92 million, to US$34.46 million from US$46.38 million for the same period in 2004. The net loss attributable to shareholders was US$4.66 million, or US $0.78 cents per share, as compared to net income of US$1.14 million, or US$0.25 cents per share, of the prior year. On the balance sheet, the total assets of the Group increased 9.4% to US$54.56 million at 31 December 2005 from US$49.83 million at the end of 2004, and the net assets of the Group increased 48.7% to US$38.61 million in 2005 from US$25.96 million in 2004.

BUSINESS DEVELOPMENT

The Company has two principal lines of business. The first line of business is, through its wholly owned subsidiary Global Select Limited ("Global Select"), to develop, explore and produce crude oil in Indonesia and the Philippines, and the second line of business is, through its subsidiary Axiom Manufacturing Services Ltd. ("Axiom"), to provide electronic manufacturing services in the United Kingdom.

During the past year, the Company has made several crude oil properties acquisitions in Asia to strengthen its crude oil business. In December 2004, the Company entered into a Service Contact, through the Department of Energy, with the Government of the Republic of Philippines. Under the Contract, the Company is granted a permission to exploit crude oil and natural gas in an area with 748,000 hectares, approximately 7,478 square kilometers, at Agusan-Dava Basin in Dava province, south of the Philippines. The initial exploitation term is seven years. After that, there are 25 years of production term. Pursuant to the Contract, the Company may sell the crude oil and natural gas it produces at market price on free market. A wholly owned subsidiary of the Company has been set up in Philippines to conduct the exploitation and production operations.

In April 2005, the Company, through its wholly owned subsidiary Global Select, entered into an agreement to acquire 65% of equity interest in PT. Cahaya Batu Raja Blok, an Indonesian corporation, for US$5.8 million. PT Cahaya Batu Raja Blok owns a Product Contract signed with the Department of Petroleum (BPMIGAS) of the Indonesia government. Pursuant to the Product Contract, PT. Cahaya Batu

Raja Blok will explore and develop petroleum and natural gas in Air Komering Block, an area consists of approximately 4,110 square kilometers located in Southern Sumatra, Indonesia for 30 years ending in 2034. As of the date of this Report, the acquisition has not been completed.

On 27 September 2005, Global Select Ltd. entered into a share purchase agreement with Lion Energy Limited, an Australian listed company, to acquire 100% equity interests in each of its subsidiaries, Kalrez Petroleum (Seram) Limited ("Kalrez") and Indonesian Prima Energy Services Limited ("IPE") for an aggregate consideration of US$4,850,000.

Kalrez is engaged in the business of exploitation and production of crude oil in Bula Block Oilfield on the Island of Seram in Indonesia. Kalrez holds 100% interest in Bula Petroleum Production Sharing Contract ("Bula PSC") that was

entered into with BPMIGAS, Department of Petroleum of Indonesia, on 22 May 2000. The Bula PSC will be expired in 2019. Kalrez is the operator of the Bula Block Oilfields. The acquisition of Kalez is closed on 30 October 2005.

IPE, through its 100%-owned subsidiary PT Prima Jasa Energi ("PJE"), owns and operates a drilling rig and other heavy equipment in Indonesia. The Company brought Kalrez and IPE together as a package.

The Company's crude oil operation under an Enhanced Oil Recovery Contract with Pertamina, the Indonesia state-owned petroleum giant, was expired on 31 December 2004. The Company intends to negotiate with BPMIGAS, Department of Petroleum of Indonesia, to enter into a new contract. No assurance can be given that the new contract will be granted and when it will be granted.

Through Axiom, the Company provides electronic manufacturing services to original equipment manufacturers of telecommunication equipment, computers and related products for business enterprises, video/audio/entertainment products, industrial control equipment, testing and instrumentation products and medical devices. The Company provides its customers with a total solution that includes a full range of services that allow the Company's to take its customers' products from initial design through production, test, distribution and after-market support. In many cases, the Company builds and services products that carry the brand names of its customers.

Substantially all of the Company's manufacturing services are provided on a turnkey basis, whereby the Company purchases components specified by customers from suppliers, assembles the components on printed circuit boards, perform post-production testing and provides its customers with production process and testing documentation. The Company offers its customers flexible, "just-in-time" delivery programs allowing product shipments to be closely coordinated with its customers' inventory requirements. The Company also provides manufacturing services on a consignment basis, whereby the Company utilizes components supplied by the customer to provide assembly and post-production testing services.

RESULTS OF OPERATIONS

For the year ended 31 December 2005, the Group's turnover was US$34.46 million as compared to US$46.38 million in the same period of the previous year. The decrease in turnover was primarily due to the expiration of the EOR Contract on 31 December 31, 2004. For the year ended 31 December 2005, the Group's had net loss of US$4.66 million, or US$0.008 per share, as compared to net profit of US$1.02 million, or US$0.0025 per share for the same period of 2004.

Directors' Business Review

Looking forward, the Group intends to continue its expansion in crude oil business because of increasing demand for petroleum products and the climbing oil price. Kalrez Petroleum (Seram) Limited, the newly acquired subsidiary of the Company, currently produces 350-400 barrels of crude oil a day. The Company is planning to conduct seismic surveys in Indonesia and the Philippines to exploit and develop crude oil and natural gas. The Company's electronics manufacturing services subsidiary in UK will continue to bid for high value, low volume work winning as much new business from existing customers as possible while adding new customers to the portfolio, and will continue to focus on differentiating itself by providing a low cost, high quality efficient production facility to companies wishing to outsource their manufacturing.

LIQUIDITY AND CAPITAL RESOURCES

At 31 December 2005 the Group's cash and cash equivalents were US$2.00 million, as compared to US$2.24 million at 31 December 2004. For the year ended 31 December 2005, the operating and investing activities of the Group used net cash of US$1.62 million and US$8.01 million, respectively. During the same period, the Group's financing activities provided US$11.52 million of net cash, largely by issuing convertible debenture.

At 31 December 2005, the Group had no contingent liabilities. The Group believes that its cash generated from its operations are adequate to meet its operating needs. However, future cash flows are subject to a number of variables, including the Company's level of oil production and oil prices, demand for our electronics manufacturing services, and general global economic conditions. Many of the Group's competitors have significantly greater capital resources than that which is available to us. The Company may need to raise additional capital, in debt or equity, in order to successfully grow and compete.

EMPLOYEES AND REMUNERATION POLICIES

At 31 December 2005, the Group had a total of approximately 272 full-time employees in Indonesia, the United Kingdom and Hong Kong. The Group believes that its relationship with its employees is satisfactory. From time to time, the Group may also use the services of independent consultants and contractors to perform various professional services.

The remuneration of each employee of the Group is determined on the basis of his or her performance and responsibility.

MATERIAL UNCERTAINTIES

There are no material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

FOREIGN EXCHANGE EXPOSURE

The Group mainly earned revenues and incurred costs in US dollars. The Directors consider that the Group's foreign exchange risks are minimal.

CHANGE OF THE COMPANY ADDRESS

Effective 28 February 2006, the Company's registered office was changed to Unit 6605, 66/F., The Centre, 99 Queen's Road Central, Hong Kong.

LEGAL PROCEEDINGS

The Group is not a party to any material legal proceedings.

GEARING RATIO

The gearing ratio of the Group at 31 December 2005 is 7% (2004: 12%).

CONTINGENT LIABILITIES

The Group has no contingent liabilities as at 31 December 2005 (2004: Nil).

FOREIGN EXCHANGE EXPOSURES

The Group's two principal operating subsidiaries earn revenues and incur costs in US dollars and British pounds. The Group will continue to monitor the risk of foreign exchange fluctuation on the Group's results of operations, financial condition and cash flows.

Lee Sin Pyung
Managing Director

Hong Kong, 24 April 2006