



KS ENERGY SERVICES LIMITED

(Company Registration No. 198300104G)

The Board of Directors of KS Energy Services Limited (the "Company") wishes to announce the following response to queries raised by Singapore Exchange Securities Trading Limited ("SGX-ST") in its email dated 16 February 2007 (SGX Queries") on the announcement of its full year financial statement and dividend announcement for the year ended 31 December 2006 released on 13 February 2006.

SGX Query 1:

We note in the Balance Sheet, "Trade Receivables" increased by 45% from S\$ 47.122 million as at 31 December 2005 to S\$ 68.593 million as at 31 December 2006 when revenue increased by 9.7%. To disclose the reasons for the large increase in trade receivables, ageing schedule, directors' view on whether there is any collectibility issue and any provision required and the basis for their views.

Company's response to SGX Query 1:

The increase in Trade Receivables was \$21.471 million. Out of this increase, about \$13 million were related to projects of capital equipment, including land rigs. These projects were carried across the financial year. For some of these projects, payments were received in early FY2007, shortly after the end of the financial year.

The balance of the increase in Trade Receivables amounted to \$8.6 million. This increase corresponds to our revenue growth of 27% in our distribution business from \$160.7 million in FY2005 to \$203.7 million in FY2006 (see note 13 on segment reporting in our full year announcement dated 13 February 2007).

The directors are of the view that the Trade Receivables of \$68.593 million as at 31 December 2006 is a fair value representation based on their collectibility, after making adequate provisions, and having taken into account information available at the time when the financial statements were drawn up.

SGX Query 2:

We note in the Balance Sheet, "Other investments" increased by 56% from S\$ 27.900 million as at 31 December 2005 to S\$ 43.462 million as at 31 December 2006. In paragraph 8, the Company reported "revaluation of other investments in accordance with FRS 39". To provide a breakdown of the underlying items and elaborate on the reasons for the increase.

Company's response to SGX Query 2:

The increase in Other investments was \$15.562 million. This was solely due to a revaluation of our investment in a quoted investment in accordance with the applications of FRS39. Our investment was recorded based on the market price of the quoted investment as at balance sheet date at 31 December 2005 and 2006, respectively. The increase was due to the increase of the market price for this investment.

SGX Query 3:

In the cash flow statement, "Advances to jointly controlled entities" amounted to S\$ 32.573 million. Please provide details on who the jointly controlled entities are, the reasons for the advances and the use of proceeds.

Company's response to SGX Query 3:

The advances to jointly controlled entities were \$32.573 million in FY2006.

The above advances were mainly of the following natures:

- \$15.7 million being shareholder loans to jointly controlled entities (New Strong Group Limited, Casadilla Group Pte Ltd and Yakki International Pte Ltd) for the acquisition and construction costs for three self-propelled jack-up rigs. One rig has commenced operations, while the other two rigs will commence operations within one year.
- \$9.6 million being advance to a jointly controlled entity, United Oilfield Services Pte Ltd, for the acquisition of capital equipment for a jack-up rig which is currently under charter.
- \$8.1 million being shareholder loan and advance to other jointly controlled entities (Blue Ocean Explorer Ltd, Global Oilfield Services Pte Ltd and Harta Offshore & Marine Services Pte Ltd) for the conversion of floating warehouse and other capital equipment acquisitions.
- \$0.8 million being refund of shareholder loan from two jointly controlled entities (AMS Denmark BV and Aqua-Terra Middle East Ltd).

These shareholder loans were made instead of equity investment into these entities, which otherwise would have been recorded as "Investments in jointly controlled entities".

By Order of the Board
Lim Ka Bee
Company Secretary
Date: 26 February 2007