

Financial Statement And Dividend Announcement for the Period Ended 30/06/2008
PART INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1 (a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial period.

	Group (Second quarter)		Increase/ (Decrease) %	Group (Year - To- Date)		Increase/ (Decrease) %
	3 months ended			6 months ended		
	30.06.2008	30.06.2007		30.06.2008	30.06.2007	
	\$'000	\$'000		\$'000	\$'000	
Revenue	205,484	89,539	129.5	313,147	153,028	104.6
Cost of sales	(161,050)	(59,485)	170.7	(230,380)	(106,136)	117.1
Gross profit	44,434	30,054	47.8	82,767	46,892	76.5
Other operating income	9,010	43,002	(79.0)	9,811	43,655	(77.5)
Distribution costs	(5,286)	(5,356)	(1.3)	(12,283)	(10,769)	14.1
Administrative expenses	(5,665)	(3,064)	84.9	(18,083)	(7,338)	146.4
Other operating expenses	(7,687)	(3,095)	148.4	(10,564)	(5,255)	101.0
Profit from operations	34,806	61,541	(43.4)	51,648	67,185	(23.1)
Finance costs	(6,822)	(2,004)	240.4	(12,329)	(2,734)	351.0
Share of results of associates	2,086	1,120	86.3	3,654	1,797	103.3
Share of results of jointly controlled entities	(846)	998	N/M	(541)	2,036	N/M
Profit before tax	29,224	61,655	(52.6)	42,432	68,284	(37.9)
Income tax expense	(6,488)	(9,091)	(28.6)	(7,236)	(9,466)	(23.6)
Profit for the period	22,736	52,564	(56.7)	35,196	58,818	(40.2)
Attributable to:						
Equity holders of the parent	20,412	51,126	(60.1)	31,466	56,455	(44.3)
Minority interests	2,324	1,438	61.6	3,730	2,363	57.9
Profit for the period	22,736	52,564	(56.7)	35,196	58,818	(40.2)

Profit for the period is arrived at after crediting/(charging):-

	Group (Second quarter)		Increase/ (Decrease) %	Group (Year - To- Date)		Increase/ (Decrease) %
	3 months ended			6 months ended		
	30.06.2008	30.06.2007		30.06.2008	30.06.2007	
	\$'000	\$'000		\$'000	\$'000	
Investment income	882	-	N/M	882	175	404.0
Other income including interest income	1,578	655	140.9	2,379	1,133	110.0
Amortisation of intangible assets	(991)	(40)	N/M	(3,730)	(80)	N/M
Depreciation of property, plant and equipment	(5,281)	(807)	554.4	(8,062)	(1,268)	535.8
Amortisation of discount on convertible notes	(1,414)	-	N/M	(2,815)	-	N/M
Amortisation of transaction costs incurred in connection with the issue of convertible notes	(53)	-	N/M	(106)	-	N/M
Allowance for doubtful debts and bad debts (written off) /recovered	(109)	(257)	(57.6)	453	(302)	N/M
Allowance for slow moving inventories	(69)	(51)	35.3	(182)	(118)	54.2
Foreign exchange gain/(loss), net	2,033	(33)	N/M	5,333	(292)	N/M
Gain on disposal of plant and equipment	30	1	N/M	30	3	900.0
Gain on disposal of a subsidiary	106	-	N/M	106	-	N/M
Plant and equipment written off	(64)	-	N/M	(65)	-	N/M
Gain on disposal of non-current investments	6,444	42,938	(85.0)	6,444	42,938	(85.0)
Net gain/(loss) on remeasurement of derivatives at fair value	-	7	N/M	-	7	N/M

N/M - not meaningful

See note 8 for more explanation on the income statement review

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	72,048	85,025	21,512	38,119
Amounts due from subsidiaries	-	-	71,012	102,578
Trade receivables	141,417	137,381	15,261	11,848
Inventories	110,687	194,240	-	-
Project work-in progress	-	-	-	-
Other current assets	74,642	82,739	16,136	27,354
	398,794	499,385	123,921	179,899
Non-current assets				
Other investments	16,783	28,454	16,668	28,339
Associates and jointly controlled entities	112,424	84,522	61,316	31,729
Subsidiaries	-	-	190,046	181,620
Property, plant and equipment	325,390	128,070	208	282
Intangible assets	24,317	29,400	-	-
Other non-current assets	4,744	4,760	301	301
	483,658	275,206	268,539	242,271
Total assets	882,452	774,591	392,460	422,170
Current liabilities				
Trade and other payables	127,562	142,670	10,197	8,315
Provision for current tax	25,120	19,739	13,092	12,132
Amounts due to subsidiaries	-	-	5,720	4,994
Borrowings	244,061	144,878	98,401	79,470
	396,743	307,287	127,410	104,911
Non-current liabilities				
Trade and other payables	6,232	5,587	-	-
Amounts due to subsidiaries	-	-	45,712	37,298
Borrowings	236,310	215,718	135,573	176,311
Financial derivatives	278	-	278	-
Deferred taxation	1,600	4,382	1,387	3,437
	244,420	225,687	182,950	217,046
Total liabilities	641,163	532,974	310,360	321,957
Net assets	241,289	241,617	82,100	100,213
Equity attributable to equity holders of the parent				
Share capital	75,941	75,941	75,941	75,941
Equity reserve	959	959	959	959
Treasury shares	(34,510)	(34,510)	(34,510)	(34,510)
Foreign currency translation reserve	(29,957)	(13,476)	-	-
Fair value reserve	9,045	18,388	9,045	18,388
Hedging reserve	(278)	-	(278)	-
Accumulated profits	172,130	147,879	30,943	39,435
	193,330	195,181	82,100	100,213
Minority interests	47,959	46,436	-	-
Total equity	241,289	241,617	82,100	100,213

See note 8 for more explanation on the balance sheet review

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 30.06.2008		As at 31.12.2007	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
115,283	128,778	56,376	88,502

Amount repayable after one year

As at 30.06.2008		As at 31.12.2007	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
130,408	105,902	113,011	102,707

Details of any collateral

As at 30 June 2008, the current secured borrowings of \$115.3 million comprised the following:

1. \$6.1 million was secured by a vessel.
2. \$2.7 million was secured by 64,125,000 ordinary shares in a subsidiary, Aqua-Terra Supply Co. Limited.
3. \$27.2 million was secured by 66,666,668 ordinary shares in a subsidiary, Atlantic Oilfield Services Ltd and 10,000 ordinary shares in a subsidiary, Sphinx Frontier Ltd, a wholly owned subsidiary which owns Atlantic Oilfield Services Ltd.
4. \$17.0 million was secured by an accommodation jackup rig.
5. \$62.0 million was secured by a jackup rig and all shares in wholly owned subsidiaries KS Discovery (HK) Limited and QIM Ventures Limited.
6. The remaining secured borrowings relate to hire purchase liabilities secured on certain motor vehicles and office equipment of the Group.

As at 30 June 2008, the non-current secured borrowings of \$130.4 million comprised the following:

1. \$3.1 million was secured by a vessel.
2. \$18.7 million was secured by 64,125,000 ordinary shares in a subsidiary, Aqua-Terra Supply Co. Limited.
3. \$17.0 million was secured by 66,666,668 ordinary shares in a subsidiary, Atlantic Oilfield Services Ltd and 10,000 ordinary shares in a subsidiary, Sphinx Frontier Ltd, a wholly owned subsidiary which owns Atlantic Oilfield Services Ltd.
4. \$17.0 million was secured by an accommodation jackup rig.
5. \$74.0 million was secured by a jackup rig and all shares in wholly owned subsidiaries KS Discovery (HK) Limited and QIM Ventures Limited.
6. The remaining secured borrowings relate to hire purchase liabilities secured on certain motor vehicles and office equipment of the Group.

As at 31 Dec 2007, the current secured borrowings of \$56.4 million comprised the following:

1. \$6.5 million was secured by a vessel.
2. \$31.7 million was secured by 66,666,668 ordinary shares in a subsidiary, Atlantic Oilfield Services Ltd and 10,000 ordinary shares in a subsidiary, Sphinx Frontier Ltd, a wholly owned subsidiary which owns Atlantic Oilfield Services Ltd.
3. \$18.0 million was secured by an accommodation jackup rig.
4. The remaining secured borrowings relate to hire purchase liabilities secured on certain motor vehicles and office equipment of the Group.

As at 31 Dec 2007, the non-current secured borrowings of \$113.0 million comprised the following:

1. \$6.5 million was secured by a vessel.
2. \$21.8 million was secured by 64,125,000 ordinary shares in a subsidiary, Aqua-Terra Supply Co. Limited.
3. \$57.6 million was secured by 66,666,668 ordinary shares in a subsidiary, Atlantic Oilfield Services Ltd and 10,000 ordinary shares in a subsidiary, Sphinx Frontier Ltd, a wholly owned subsidiary which owns Atlantic Oilfield Services Ltd.
4. \$26.2 million was secured by an accommodation jackup rig.
5. The remaining secured borrowings relate to hire purchase liabilities secured on certain motor vehicles and office equipment of the Group.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

	Group (Year To Date)	
	30.06.2008	30.06.2007
	\$'000	\$'000
Operating activities		
Profit before tax	42,432	68,284
Adjustments for:		
Amortisation of intangible assets	3,730	80
Depreciation of property, plant and equipment	8,062	1,268
Interest income	(1,286)	(904)
Interest expense	9,408	2,734
Amortisation of discount on convertible notes	2,815	-
Amortisation of transaction costs incurred in connection with the issue of convertible notes	106	-
Share of results of associates	(3,654)	(1,797)
Share of results of jointly controlled entities	541	(2,036)
Gain on disposal of plant and equipment	(30)	(3)
Plant and equipment written off	65	-
Gain on disposal of other investments	(6,444)	(42,938)
Net (gain)/loss on remeasurement of derivatives at fair value	-	(7)
Gain on disposal of a subsidiary	(106)	-
Dividend income	(882)	(175)
Operating profit before changes in working capital	<u>54,757</u>	<u>24,506</u>
Changes in working capital:		
Inventories	46,901	(92,725)
Trade receivables	(9,213)	(5,148)
Other current assets	(5,573)	11,580
Trade and other payables	<u>(13,094)</u>	<u>22,609</u>
Cash (used in)/generated from operations	73,778	(39,178)
Income taxes paid	<u>(2,359)</u>	<u>(2,601)</u>
Cash flows from operating activities	<u>71,419</u>	<u>(41,779)</u>
Investing activities		
Payments for purchase of plant and equipment	(176,529)	(10,239)
Proceeds from disposal of plant and equipment	52	177
Dividends received	1,950	175
Interest received	1,267	770
Net cash inflow/(outflow) on acquisition of subsidiaries and minority interest	302	(122,680)
Payments for investments in associates	-	(65)
Payments for investments in jointly controlled entities	-	(108)
Payments for acquisition in other investments	-	(6,211)
Proceeds from sale of other investments	7,656	45,568
Proceeds from disposal of interest in a jointly controlled entity	-	839
Proceeds from disposal in a subsidiary	1,551	-
Advances to a third party corporation and jointly controlled entities	<u>(16,305)</u>	<u>(19,757)</u>
Cash flows from investing activities	<u>(180,056)</u>	<u>(111,531)</u>
Financing activities		
Proceeds from/(Repayment) of finance lease liabilities	89	(118)
Proceeds from bank loans	184,653	422,676
Repayment of bank loans	(60,985)	(239,142)
Proceeds from issue of new shares	-	13,878
Payments for share buyback	-	(33,824)
Proceeds from issue of new shares by a subsidiary to minority shareholders	-	20,093
Bills payable to banks	(6,496)	18,874
Deposits pledged	6,239	-
Dividends paid to shareholders of the Company	(7,215)	(4,263)
Dividends paid to minority shareholders of subsidiaries	(1,095)	(759)
Interest paid	<u>(12,150)</u>	<u>(3,003)</u>
Cash flows from financing activities	<u>103,040</u>	<u>194,412</u>
Net increase/(decrease) in cash and cash equivalents	(5,597)	41,102
Cash and cash equivalents at beginning of the period	73,456	46,015
Effect of exchange rate changes on balances held in foreign currencies	<u>(1,141)</u>	<u>(113)</u>
Cash and cash equivalents at end of the period	<u>66,718</u>	<u>87,004</u>
Cash and cash equivalents at end of the period includes the following:		
Cash and cash equivalents	72,048	87,004
Deposits Pledged	<u>(5,330)</u>	<u>-</u>
Cash and cash equivalents at end of the period	<u>66,718</u>	<u>87,004</u>

See note 8 for explanation on the cash flow statement review

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Share capital	Equity reserve	Treasury shares	Foreign currency translation reserve	Fair value reserve	Hedging reserve	Accumulated profits	Total attributable to equity holders of the parent	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000	\$'000
Group										
At 1 January 2008	75,941	959	(34,510)	(13,476)	18,388	-	147,879	195,181	46,436	241,617
Exchange differences on translation of financial statements of foreign operations	-	-	-	(16,481)	-	-	-	(16,481)	-	(16,481)
Change in fair value of available-for-sale investments	-	-	-	-	(3,411)	-	-	(3,411)	-	(3,411)
Change in hedging reserve	-	-	-	-	-	(278)	-	(278)	-	(278)
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	-	-	(5,932)	-	-	(5,932)	-	(5,932)
Net income recognised directly in equity	-	-	-	(16,481)	(9,343)	(278)	-	(26,102)	-	(26,102)
Profit for the period	-	-	-	-	-	-	31,466	31,466	3,730	35,196
Total recognised income and expense for the period	-	-	-	(16,481)	(9,343)	(278)	31,466	5,364	3,730	9,094
Dividends	-	-	-	-	-	-	(7,215)	(7,215)	-	(7,215)
Dividends paid to minority interest	-	-	-	-	-	-	-	-	(1,095)	(1,095)
Disposal of subsidiary	-	-	-	-	-	-	-	-	(1,189)	(1,189)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	77	77
At 30 June 2008	75,941	959	(34,510)	(29,957)	9,045	(278)	172,130	193,330	47,959	241,289
At 1 January 2007	27,771	-	-	(2,170)	41,438	-	92,217	159,256	19,865	179,121
Exchange differences on translation of financial statements of foreign operations	-	-	-	(259)	-	-	-	(259)	-	(259)
Change in fair value of available-for-sale investments	-	-	-	-	17,842	-	-	17,842	-	17,842
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	-	-	(42,463)	-	-	(42,463)	-	(42,463)
Net income recognised directly in equity	-	-	-	(259)	(24,621)	-	-	(24,880)	-	(24,880)
Profit for the period	-	-	-	-	-	-	56,455	56,455	2,363	58,818
Total recognised income and expense for the period	-	-	-	(259)	(24,621)	-	56,455	31,575	2,363	33,938
Proceeds from new shares to be issued	-	13,878	-	-	-	-	-	13,878	-	13,878
Repurchase of shares	-	-	(33,824)	-	-	-	-	(33,824)	-	(33,824)
Dividends	-	-	-	-	-	-	(4,263)	(4,263)	-	(4,263)
Dividends paid to minority interest	-	-	-	-	-	-	-	-	(759)	(759)
Contribution from minority interest	-	-	-	-	-	-	-	-	20,093	20,093
Acquisition of subsidiary	-	-	-	-	-	-	-	-	1,467	1,467
At 30 June 2007	27,771	13,878	(33,824)	(2,429)	16,817	-	144,409	166,622	43,029	209,651

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (...continued)

	Share capital	Equity reserve	Treasury shares	Fair value reserve	Hedging reserve	Accumulated profits	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company							
At 1 January 2008	75,941	959	(34,510)	18,388	-	39,435	100,213
Change in fair value of available-for-sale investments	-	-	-	(3,411)	-	-	(3,411)
Change in hedging reserve	-	-	-	-	(278)	-	(278)
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	-	(5,932)	-	-	(5,932)
Net income recognised directly in equity	-	-	-	(9,343)	(278)	-	(9,621)
Profit for the period	-	-	-	-	-	(1,277)	(1,277)
Total recognised income and expense for the period	-	-	-	(9,343)	(278)	(1,277)	(10,898)
Dividends	-	-	-	-	-	(7,215)	(7,215)
At 30 June 2008	75,941	959	(34,510)	9,045	(278)	30,943	82,100
At 1 January 2007	27,771	-	-	41,438	-	34,282	103,491
Change in fair value of available-for-sale investments	-	-	-	17,842	-	-	17,842
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	-	(42,463)	-	-	(42,463)
Net income recognised directly in equity	-	-	-	(24,621)	-	-	(24,621)
Profit for the period	-	-	-	-	-	34,341	34,341
Total recognised income and expense for the period	-	-	-	(24,621)	-	34,341	9,720
Repurchase of shares	-	-	(33,824)	-	-	-	(33,824)
Proceeds from new shares to be issued	-	13,878	-	-	-	-	13,878
Dividends	-	-	-	-	-	(4,263)	(4,263)
At 30 June 2007	27,771	13,878	(33,824)	16,817	-	64,360	89,002

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Share Capital

There is no change in the Company's issued and paid up capital for the period from 1 January 2008 to 30 June 2008.

Convertible Loans & Warrants

There is no change in the number of the shares that may be issued as a result of Company's Convertible Loans & Warrants for the period from 1 January 2008 to 30 June 2008. As at 30 June 2008, the Convertible Loan & Warrant outstanding were:

(a) The number of shares that may be issued upon conversion from the convertible bonds is 23,900,000 ordinary shares (based on the initial conversion price of \$4.05 for each conversion share and assuming no adjustments to the conversion price). This relates to the 5-year non-listed, freely tradable and transferable zero-coupon convertible bonds issued on 8 August 2007, in a principle amount of \$96.795 million to Stark Master Fund Ltd, Centar Investments (Asia) Ltd and Stark Asia Master Fund Ltd.

(b) The number of shares that may be issued upon the exercise of all the warrants is 9,000,000 ordinary shares. This relates to the nine non-listed and non-transferable warrants in respect of 1,000,000 ordinary shares each, issued and allotted to Sovereign Assets S.A. on 20 August 2007.

As at 30 June 2008, the total number of shares that may be issued upon the conversion of all convertible bonds and exercise of all warrants was 32,900,000 ordinary shares (31 December 2007: 32,900,000 ordinary shares).

- 1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

As at 30 June 2008, the share capital less treasury shares of the Company was 240,487,525 ordinary shares (251,795,525 issued ordinary shares less 11,308,000 treasury shares). As at 31 December 2007, the share capital less treasury shares of the Company was 240,487,525 ordinary shares (11,308,000 treasury shares).

- 1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

The movement of treasury shares are as follows:

As at 1 January 2008: 11,308,000 shares

Purchase of treasury shares: nil

As at 30 June 2008: 11,308,000 shares

- 2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the Company's auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed under item 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial year as those applied for the audited financial statements for the year ended 31 December 2007.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

The Group adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRS") including related Interpretations ("INT FRS") promulgated by the Council on Corporate Disclosure and Governance, which became effective for the financial statements of the Group and of the Company for the financial year ending 31 December 2008. The adoption of the new and revised FRS and INT FRS did not give rise to any adjustments to the opening balances of the accumulated profits of the Group and of the Company for the prior periods or changes in comparatives.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:-

	Group (Second quarter)		Group (Year-To-Date)	
	3 months ended		6 months ended	
	30.06.2008	30.06.2007	30.06.2008	30.06.2007
(a) Based on weighted average number of ordinary shares in issue	8.49 cts	21.95 cts	13.08 cts	23.94 cts
(b) On a fully diluted basis	8.49 cts	21.95 cts	13.08 cts	23.94 cts

The earnings per share for the three months ended 30 June 2008 is calculated by dividing the profit attributable to shareholders of \$20,412,000 (30.06.2007: \$51,126,000) by the weighted average number of shares of 240,487,525 (30.06.2007: 232,956,834) in issue during the financial period.

The earnings per share for the six months ended 30 June 2008 is calculated by dividing the profit attributable to shareholders of \$31,466,000 (30.06.2007: \$56,455,000) by the weighted average number of shares of 240,487,525 (30.06.2007: 235,813,244) in issue during the financial period.

The diluted earnings per share for the three months ended 30 June 2008 is calculated by dividing the profit attributable to shareholders \$20,412,000 (30.06.2007: \$51,126,000) by the adjusted weighted average number of shares of 240,487,525 (30.06.2007: 232,956,834) in issue during the financial period.

The diluted earnings per share for the six months ended 30 June 2008 is calculated by dividing the profit attributable to shareholders of \$31,466,000 (30.06.2007: \$56,455,000) by the weighted average number of shares of 240,487,525 (30.06.2007: 235,813,244) in issue during the financial period.

The diluted earnings per share computation has taken into consideration the following:

(i) The 9 warrants (9 million new shares upon exercise) issued to Sovereign Assets S.A will not be dilutive for the purpose of EPS computation. This treatment is in accordance to FRS 33, para 47 that it will only have dilutive effect when the average market price for the reporting period is higher than the exercise price of the warrant. In this case, the year-to-date and 2nd quarter average market prices of \$2.04 and \$1.87 respectively, are lower than the warrant exercise price of \$3.084, which means it will not be dilutive for the purpose of EPS computation.

(ii) The 5-year convertible zero-coupon bond (23.9 million new shares upon conversion) will not be dilutive for the purpose of EPS computation. This treatment is in accordance to FRS 33, para 50 that it will not have dilutive effect when its interest (net of tax and other changes in income or expense) per ordinary share obtainable on conversion exceeds basic earnings per share.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the:-

- (a) current financial period reported on; and
 (b) immediately preceding financial year.

	Group		Company	
	30.06.2008	31.12.2007	31.12.2007	30.06.2008
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	80.4 cts	81.2 cts	34.1 cts	41.7 cts

Net asset value per ordinary share is based on 240,487,525 (31.12.2007: 240,487,525) ordinary shares issued as at 30 June 2008.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

(a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT REVIEW

Overview

Following a year of transformation, KS Energy Services Limited ("KS Energy" or the "Group") has, since mid-2007, migrated its business model from a trader of capital equipment to the provision of capital equipment chartering, drilling and rig management services ("Drilling Services Business") directly to major international oil companies. These enhanced competencies are supported by the Group's extensive distribution business ("Distribution Business"), which distributes more than 60,000 line items, representing more than 300 globally accredited brands in the oil and gas industry.

KS Energy has progressed up the value chain and is now an accredited drilling contractor. The result of these changes and effort are now reflected in the Group's financial performance. In addition to the growing contribution from its Distribution Business, revenue contribution from Drilling Services Business has also increased. Over the last 12 months, the Group has secured contracts for the jackup rig KS MedStar-1 and the land rigs in its existing fleet.

Having defined its strategy for the Drilling Business, the Group is in the progress of divesting its non-core assets and at the same time upgrading and expanding its fleet. As a result, borrowings were higher with the recent rigs acquisitions. Non-core asset divestment to date include the KS Venture and a Workover Pulling Unit. In order to further strengthen the capital base of the Group, it recently proposed a 2 for 5 rights issue, which when completed in the second half of the current financial year, will help to reduce bank borrowings, improve gearing, and fund further capital equipment acquisitions.

Following the change in its business strategy, the Group will see more contribution from its operations. As a result, the operating profit from the first six months of this year, excluding gains of non-current investments, rose from \$21.2 million* (1H FY07) to \$26.2 million** (1H FY08), representing an increase of 23.6%.

NOTE: * PATMI for 1H FY 07 - Sale of Ezra (net of tax) = \$56.455 million - (\$42.938 million less 18% tax) = \$21.2 million

NOTE: **PATMI for 1H FY 08 - Sale of Ezra (net of tax) = \$31.466 million - (\$6.444 million less 18% tax) = \$26.2 million

2Q FY08 versus 2Q FY07

Revenue

The Group's revenue for 2Q FY08 increased by 129.5% from \$89.5 million in 2Q FY07 to \$205.5 million.

Both our Distribution Business and Drilling Services Business reported strong growth. For Distribution Business, revenue for 2Q FY08 increased by 62.6% from \$60.9 million in 2Q FY07 to \$99.0 million due to strong demand from the oil and gas industry.

For the Drilling Services Business, revenue for 2Q FY08 increased by 272.4% from \$28.6 million in 2Q FY07 to \$106.5 million, mainly due to contribution from AOS, the charter income from KS MedStar-1 and the revenue of \$60 million arising from the divestment of the KS Venture.

The gross profit of the Group increased by 47.8% from \$30.1 million in 2Q FY07 to \$44.4 million in 2Q FY08. The gross profit margin was lower this quarter due to the lower gross profit margin of Aqua-Terra Supply Co., Ltd ("Aqua-Terra") – a subsidiary of the Group and the lower gross profit margin from the disposal of non-core assets. As such, the Group's gross profit margin was reduced from 33.6% in 2Q FY07 to 21.6% in 2Q FY08.

Profitability

Other operating income was lower by 79.0% from \$43.0 million in 2Q FY07 to \$9.0 million in 2Q FY08, due primarily to the reduction in the amount of non-current investments divested. The balance of the non-current investments as at 30 June 2008 was \$16.8 million.

Total operating expenses increased by 61.7% from \$11.5 million in 2Q FY07 to \$18.6 million in 2Q FY08 mainly due to the consolidation of operating expenses of AOS, the increase in depreciation of newly acquired capital equipment, and amortisation of intangibles arising from the acquisition of AOS.

Administrative expenses increased by 84.9% from \$3.1 million in 2Q FY07 to \$5.7 million in 2Q FY08 due mainly to the consolidation of the administrative expenses of AOS and the growth of the Group's Distribution Business.

Other operating expenses increased by 148.4% from \$3.1 million to \$7.7 million due to higher depreciation charges from the two newly acquired jackup rigs (\$5.3 million in 2Q FY08; \$0.8 million in 2Q FY07) and the higher amortisation of intangibles arising from the acquisition of AOS (\$1.0 million in 2Q FY08; \$0.04 million in 2Q FY07). This amount is offset by an exchange gain of \$2.0 million compared to the exchange loss of \$0.03 million in 2Q FY07. This exchange gain arose from the Group's US Dollar denominated liabilities due to the depreciation of the US Dollar.

Finance costs for the Group increased by 240.4% from \$2.0 million in 2Q FY07 to \$6.8 million in 2Q FY08 due primarily to interest incurred for the acquisitions of AOS, the KS MedStar-1 and imputed interest of \$1.4 million for the convertible bond that was issued in August 2007.

The share of associate's results increased by 86.3% from \$1.1 million in 2Q FY07 to \$2.1 million in 2Q FY08 due to the improved performance of SSH Corporation Limited, an associate company of Aqua Terra.

The Group's share of jointly controlled entities' results decreased from a gain of \$1.0 million in 2Q FY07 to a loss of \$0.8 million due to the cessation of activities. The assets of these joint ventures comprise mainly land rigs. These joint ventures are in the process of divesting their assets.

As a result, the profit after tax and minority interests of the Group was reduced by 60.1% from \$51.1 million in 2Q FY07 to \$20.4 million in 2Q FY08.

1H FY08 versus 1H FY07**Revenue**

Group revenue for 1H FY08 increased by 104.6% from \$153.0 million in 1H FY07 to \$313.1 million. This was attributable to strong growth in both the Distribution Business and Drilling Services Business.

For the Distribution Business, revenue for 1H FY08 increased by 42.9% from \$117.6 million in 1H FY07 to \$168.0 million due to the strong demand from the oil and gas industry. Aqua Terra also reported growth of 39.7%, with revenue rising from \$87.3 million in 1H FY07 to \$122.0 million in 1H FY08.

For the Drilling Services Business, revenue for 1H FY08 increased by 309.9% from \$35.4 million in 1H FY07 to \$145.1 million, mainly due to contribution from AOS, the charter income from KS MedStar-1 and the revenue of \$60 million arising from the divestment of the KS Venture.

The gross profit of the Group increased by 76.5% from \$46.9 million in 1H FY07 to \$82.8 million in 1H FY08, and the gross profit margin of the Group was reduced by 4.2% from 30.6% in 1H FY07 to 26.4% in 1H FY08. However, the gross profit margin was affected by the lower gross profit margin from Aqua Terra and the disposal of non-core assets with lower profit margin.

Profitability

Other operating income reduced by 77.5% from \$43.7 million in 1H FY07 to \$9.8 million in 1H FY08, due primarily to the reduction in the divestment of non-current investments. In 1H FY07, gain from divestment of non-current investments amounted to \$42.9 million as compared to \$6.4 million in 1H FY08.

Total operating expenses increased by 74.8% from \$23.4 million in 1H FY07 to \$40.9 million in 1H FY08 mainly due to the consolidation of the operating expenses of AOS, the increase in depreciation of newly acquired capital equipment and amortisation of intangibles arising from the acquisition of AOS.

Administrative expenses increased by 146.4% from \$7.3 million in 1H FY07 to \$18.1 million in 1H FY08 due mainly to the consolidation of the administrative expenses of AOS and the growth of the Group's Distribution Business.

Other operating expenses increased by 101.0% from \$5.3 million to \$10.6 million due to higher depreciation charges from the inclusion of 2 jackup rigs (\$8.1 million in 1H FY08; \$1.3 million in 1H FY07), and the higher amortisation of intangibles arising from the acquisition of AOS (\$3.7 million in 1H FY08; \$0.1 million in 1H FY07), offset by an exchange gain of \$5.3 million compared to the loss of \$0.3 million in 1H FY07.

Finance costs for the Group increased by 351.0% from \$2.7 million in 1H FY07 to \$12.3 million in 1H FY08 due primarily to interest incurred for the acquisitions of AOS, the KS MedStar-1 and imputed interest of \$2.8 million for the convertible bond that was issued in August 2007.

The share of associate's results increased by 103.3% from \$1.8 million in 1H FY07 to \$3.7 million in 1H FY08 due to the improved performance of SSH Corporation Limited, an associate company of Aqua Terra.

The Group's share of jointly controlled entities' results decreased from a gain of \$2.0 million in 1H FY07 to a loss of \$0.5 million due to the cessation of activities. The joint ventures are in the process of divesting their assets.

As a result, the profit after tax and minority interests of the Group reduced by 44.3% from \$56.5 million in 1H FY07 to \$31.5 million in 1H FY08.

The profit after tax and minority interests for the first six months of this year, excluding gain on disposal of non-current investments, rose from \$21.2 million* (1H FY07) to \$26.2 million** (1H FY08), representing an increase of 23.6%.

NOTE: * PATMI for 1H FY 07 - Sale of Ezra (net of tax) = \$56.455 million - (\$42.938 million less 18% tax) = \$21.2 million

NOTE: **PATMI for 1H FY 08 - Sale of Ezra (net of tax) = \$31.466 million - (\$6.444 million less 18% tax) = \$26.2 million

BALANCE SHEET REVIEW**Current Assets**

Current assets decreased by \$100.6 million from \$499.4 million as at 31 Dec 2007 to \$398.8 million as at 30 Jun 2008 due mainly to the reduction in inventories as a result of the sale of a non-core asset (KS Venture), and the reclassification of land rigs to fixed assets after the deployment of rigs.

Non-current Assets

Non-current assets rose by \$208.5 million from \$275.2 million as at 31 Dec 2007 to \$483.7 million as at 30 Jun 2008 mainly due to the increase in property, plant and equipment by \$197.3 million. This was due to the inclusion of the jackup rig KS MedStar-1 and the reclassification of the land rigs from inventories to fixed assets upon their deployment.

Other investments comprising quoted investments decreased by \$11.7 million from \$28.5 million as at 31 Dec 2007 to \$16.8 million as at 30 Jun 2008 due mainly to the sale of non-current investments during the period under review. Investments in associates and jointly controlled entities rose by \$27.9 million from \$84.5 million as at 31 Dec 2007 to \$112.4 million as at 30 Jun 2008 mainly due to progress payments made to capital equipment projects including the Super M2 jackup rig and the liftboats.

Current Liabilities

Current liabilities rose by \$89.4 million from \$307.3 million as at 31 Dec 2007 to \$396.7 million as at 30 Jun 2008 due mainly to the increase of borrowings by \$99.2 million to fund capital equipment acquisitions. On the other hand, trade and other payables decreased by \$15.1 million due mainly to a decrease in the trade and other payables of Aqua Terra.

Non-current Liabilities

Non-current liabilities rose by \$18.7 million from \$225.7 million as at 31 Dec 2007 to \$244.4 million as at 30 Jun 2008 due mainly to the increase in borrowings undertaken by the Group to fund capital equipment acquisitions.

Equity attributable to equity holders of the parent

Equity attributable to equity holders of the parent decreased marginally from \$195.2 million as at 31 Dec 2007 to \$193.3 million as at 30 Jun 2008. The increase of accumulated profits for 1H FY08 of \$24.3 million was offset by a decrease in the fair value reserves on non-current investments from \$18.4 million as at 31 Dec 2007 to \$9.0 million as at 30 Jun 2008 due to their partial disposal and revaluation. In addition, there was a decrease of \$16.5 million in foreign currency translation reserves resulting from the translation of US Dollar denominated subsidiaries and quasi-equity advances to projects. These relate to projects denominated, financed and with future income stream denominated in US Dollar.

CASH FLOW STATEMENT REVIEW

Cash Flow from Operating Activities

In 1H FY08, the Group's operating activities generated a net cash inflow of \$71.4 million. This was mainly attributable to the operating profit contribution of \$54.8 million and a \$19.0 million increase in working capital during 1H FY08.

Cash Flow from Investing Activities

1H FY08 saw a net cash outflow of \$180.1 million mainly due to the utilisation of \$176.5 million for the acquisition of capital equipment and advances of \$16.3 million extended to jointly-controlled entities for funding capital equipment projects.

Cash Flow from Financing Activities

Financing activities brought net cash inflow amounting to \$103.0 million in 1H FY08. This was mainly due to a \$123.7 million increase in net borrowings resulting from loans undertaken for funding capital equipment acquisitions.

As a result, cash and cash equivalents decreased to \$72.0 million in 1H FY08 of which unpledged cash and cash equivalents totalled \$66.7 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made. However, the Group's performance for Q2 FY2008 was in line with the sentiments expressed in a prospect statement (Para 10) of the Company's announcement dated 15th May 2008.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The oil and gas industry is expected to remain buoyant. The demand for energy and high price of crude oil, notwithstanding the recent price correction, will continue to fuel exploration and production activities globally.

The second quarter saw the commencement and charter contributions from the KS Medstar-1 jackup rig and the KS Discoverer 3 land rig. Going forward, the Group expects to benefit from the contributions from our KS Discoverer 2, 3 and 4 land rigs which have secured contracts.

The Group is now operating from its integrated facilities in Jurong Port Road. This will enhance our sales and distribution capabilities and foster synergies within the Group. The Distribution Business will continue to benefit from the favourable market conditions in the oil and gas, marine and petrochemical industries. .

The Group expects its operating results to perform well.

11. Dividend**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Interim	Special
Dividend Type	Cash	Cash
Dividend Amount per Share	3.5 cents per ordinary share	0.45 cents per ordinary share
Tax Rate	N.A. (one-tier tax exempt)	N.A. (one-tier tax exempt)

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Interim	Special
Dividend Type	Cash	Cash
Dividend Amount per Share	3.0 cents per ordinary share	3.0 cents per ordinary share
Tax Rate	N.A. (one-tier tax exempt)	N.A. (one-tier tax exempt)

(c) Date payable

To be announced.

(d) Books closure date

To be announced.

12. If no dividend has been declared/recommended, a statement to that effect

Not applicable.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Not applicable

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Not applicable

15. A breakdown of sales

Not applicable

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year:-

Total Annual Dividend (*Refer to Para 16 of Appendix 7.2 for the required details*)

	Latest Full Year (\$'000)	Previous Full Year (\$'000)
Ordinary	0	0
Preference	0	0
Total:	0	0

BY ORDER OF THE BOARD

Lawrence Kwan
Company Secretary
14 August 2008



KS ENERGY SERVICES LIMITED

(Company No.: 198300104G)

CONFIRMATION BY THE BOARD

We, WOO PENG KONG and GOH BOON CHYE, being two directors of KS Energy Services Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the second quarter FY2008 financial results to be false or misleading in any material aspect.

On behalf of the Board of Directors

GOH BOON CHYE
Executive Director

WOO PENG KONG
Executive Director

Singapore, 14 August 2008