



KS ENERGY SERVICES LIMITED

(Company No.: 198300104G)

Half Year Financial Statement And Dividend Announcement for the Period Ended 30/06/2006

PART1 - 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 year.

	Group		Increase/ (Decrease) %
	30.06.2006 \$'000	30.06.2005 \$'000	
Revenue	131,854	84,566	55.9
Cost of sales	(96,031)	(57,935)	65.8
Gross profit	35,823	26,631	34.5
Other operating income	19,952	11,623	71.7
Distribution costs	(10,328)	(9,000)	14.8
Administrative expenses	(4,124)	(3,686)	11.9
Other operating expenses	(2,863)	(4,590)	(37.6)
Profit from operations	38,460	20,978	83.3
Finance costs	(843)	(1,006)	(16.2)
Share of results of associates	40	472	(91.5)
Share of results of jointly controlled entities	619	(42)	N/M
Profit before tax	38,276	20,402	87.6
Income tax expense	(5,699)	(2,123)	168.4
Profit for the period	32,577	18,279	78.2
Attributable to:			
Equity holders of the parent	30,958	16,944	82.7
Minority interests	1,619	1,335	21.3
Profit for the period	32,577	18,279	78.2

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

	Group		Increase/ (Decrease) %
	30.06.2006 \$'000	30.06.2005 \$'000	
Investment income	869	603	44.1
Other income including interest income	1,551	912	70.1
Interest on borrowings	(843)	(1,006)	(16.2)
Depreciation and amortisation	(913)	(1,199)	(23.9)
Allowance for doubtful debts and bad debts written off	81	(294)	N/M
Allowance for slow moving inventories	(274)	(324)	(15.4)
Impairment loss on investment in an associate	(367)	-	N/M
Foreign exchange gain/(loss), net	333	(391)	N/M
Adjustment for over provision of tax in respect of prior year	21	-	N/M
Gain on transfer/disposals of plant and equipment	723	61	1,085.2
Net gain on disposal of current investments	-	166	N/M
Gain on dilution of interest in a subsidiary	-	2,341	N/M
Gain on disposal of interest in a jointly controlled entity	803	-	N/M
Gain on disposal of non-current investments	16,730	7,601	120.1
Net loss on remeasurement of derivatives at fair value	(16)	(483)	(96.7)

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	
	30.06.2006	31.12.2005	30.06.2006	31.12.2005
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	74,606	83,111	51,581	62,988
Amounts due from subsidiaries	-	-	11,509	7,184
Trade receivables	57,249	47,122	17,569	8,660
Inventories	45,968	42,859	19,324	18,856
Other current assets	58,517	21,758	20,944	9,547
	236,340	194,850	120,927	107,235
Non-current assets				
Other investments	24,133	27,900	24,133	27,900
Associates and jointly controlled entities	2,737	2,698	1,042	191
Subsidiaries	-	-	11,454	10,429
Property, plant and equipment	7,816	10,878	1,062	1,217
Goodwill	6,507	5,734	-	-
Other non-current assets	377	494	301	494
	41,570	47,704	37,992	40,231
Total assets	277,910	242,554	158,919	147,466
Current liabilities				
Trade and other payables	85,588	87,042	10,543	15,070
Provision for current tax	10,067	5,621	6,928	3,289
Borrowings	23,946	17,536	9,835	6,225
	119,601	110,199	27,306	24,584
Non-current liabilities				
Trade and other payables	4,566	3,590	-	-
Amounts due to subsidiaries	-	-	35,072	38,561
Borrowings	2,585	3,187	786	1,260
Deferred taxation	126	122	-	-
	7,277	6,899	35,858	39,821
Total liabilities	126,878	117,098	63,164	64,405
Net assets	151,032	125,456	95,755	83,061
Equity attributable to equity holders of the parent				
Share capital	29,939	19,848	29,939	19,848
Share premium	-	10,099	-	10,099
Foreign currency translation reserve	(1,093)	(83)	-	-
Fair value reserve	22,109	23,638	22,109	23,638
Accumulated profits	82,810	55,980	43,707	29,476
	133,765	109,482	95,755	83,061
Minority interests	17,267	15,974	-	-
Total equity	151,032	125,456	95,755	83,061

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 30.06.2006		As at 31.12.2005	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
314	23,632	397	17,139

Amount repayable after one year

As at 30.06.2006		As at 31.12.2005	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
976	1,609	470	2,717

Details of any collateral

The 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	
	30.06.2006	30.06.2005
	\$'000	\$'000
Operating activities		
Profit before tax	38,276	20,402
Adjustments for:		
Interest income	(1,182)	(776)
Interest expense	843	1,006
Share of results of associates and jointly controlled entities	(659)	(430)
Gain on transfer/disposals of plant and equipment	(723)	(61)
Plant and equipment written off	10	7
Gain on disposal of interest in a jointly controlled entity	(803)	-
Gain on dilution of interest in a subsidiary	-	(2,341)
Gain on disposal of other investments	(16,730)	(7,767)
Net loss on remeasurement of derivatives at fair value	16	483
Impairment loss on investment in an associate	367	-
Dividend income	(869)	(603)
Operating profit before changes in working capital	<u>19,459</u>	<u>11,119</u>
Changes in working capital:		
Inventories	(2,945)	(877)
Trade receivables	(6,916)	(8,836)
Other current assets	(10,605)	(879)
Advance payment from customers	-	-
Trade and other payables	5,075	19,070
Currency realignment	(518)	78
Cash generated from operations	<u>3,550</u>	<u>19,675</u>
Income taxes paid	<u>(1,291)</u>	<u>(884)</u>
Cash flows from operating activities	<u>2,259</u>	<u>18,791</u>
Investing activities		
Payments for purchase of plant and equipment	(963)	(2,508)
Proceeds from disposal of plant and equipment	5,116	52
Dividends received	869	603
Interest received	1,350	156
Net cash outflow on acquisition of subsidiaries	(288)	(2,665)
Payment for acquisition of additional interest in a subsidiary	(1,379)	-
Payments for investments in associates and jointly controlled entities	(1,227)	(1,530)
Proceeds from sale of other investments	20,083	9,776
Proceeds from disposal of interest in a jointly controlled entity	1,600	-
Advances to jointly controlled entities	(26,056)	(6,353)
Cash flows from investing activities	<u>(895)</u>	<u>(2,469)</u>
Financing activities		
Repayments of finance lease liabilities	(65)	(272)
Proceeds from bank loans	1,100	5,047
Repayment of bank loans	(5,381)	(1,755)
Due to a director of a subsidiary	-	(9,230)
Proceeds from issue of new shares	-	8,805
Payments for share issue expenses	(8)	-
Proceeds from issue of new shares by a subsidiary to minority shareholders	-	6,580
Dividends paid	(4,128)	(1,058)
Interest paid	(1,112)	(602)
Cash flows from financing activities	<u>(9,594)</u>	<u>7,515</u>
Net (decrease)/increase in cash and cash equivalents	(8,230)	23,837
Cash and cash equivalents at beginning of the period	83,111	27,042
Effect of exchange rate changes on balances held in foreign currencies	(275)	77
Cash and cash equivalents at end of the period	<u>74,606</u>	<u>50,956</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	Share premium	Foreign currency translation reserve	Fair value reserve	Accumulated profits	Total attributable to equity holders of the parent	Minority interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
At 1 January 2006	19,848	10,099	(83)	23,638	55,980	109,482	15,974	125,456
Exchange differences on translation of financial statements of foreign operations	-	-	(1,010)	-	-	(1,010)	-	(1,010)
Change in fair value of available-for-sale investments	-	-	-	10,847	-	10,847	-	10,847
Net income recognised directly in equity	-	-	(1,010)	10,847	-	9,837	-	9,837
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	-	(12,376)	-	(12,376)	-	(12,376)
Profit for the period	-	-	-	-	30,958	30,958	1,619	32,577
Total recognised income and expense for the period	-	-	(1,010)	(1,529)	30,958	28,419	1,619	30,038
Share issue expenses	(8)	-	-	-	-	(8)	-	(8)
Dividends	-	-	-	-	(4,128)	(4,128)	-	(4,128)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	(652)	(652)
Acquisition of subsidiary	-	-	-	-	-	-	326	326
Transfer from share premium account to share capital	10,099	(10,099)	-	-	-	-	-	-
At 30 June 2006	29,939	-	(1,093)	22,109	82,810	133,765	17,267	151,032
At 1 January 2005	12,783	8,299	(207)	19,851	27,536	68,262	3,602	71,864
Exchange differences on translation of financial statements of foreign operations	-	-	312	-	-	312	-	312
Change in fair value of available-for-sale investments	-	-	-	5,317	-	5,317	-	5,317
Net income recognised directly in equity	-	-	312	5,317	-	5,629	-	5,629
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	-	(6,114)	-	(6,114)	-	(6,114)
Profit for the period	-	-	-	-	16,944	16,944	1,335	18,279
Total recognised income and expense for the period	-	-	312	(797)	16,944	16,459	1,335	17,794
Issue of shares	1,000	7,900	-	-	-	8,900	-	8,900
Issue of bonus shares	2,757	(2,757)	-	-	-	-	-	-
Share issue expenses	-	(35)	-	-	-	(35)	-	(35)
Dividends	-	-	-	-	(1,058)	(1,058)	-	(1,058)
Capital contributions by minority shareholders of a subsidiary	-	-	-	-	-	-	4,252	4,252
At 30 June 2005	16,540	13,407	105	19,054	43,422	92,528	9,189	101,717

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	Share premium	Fair value reserve	Accumulated profits	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000
Company					
At 1 January 2006	19,848	10,099	23,638	29,476	83,061
Change in fair value of available-for-sale investments	-	-	10,847	-	10,847
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	(12,376)	-	(12,376)
Profit for the period	-	-	-	18,359	18,359
Total recognised income and expense for the period	-	-	(1,529)	18,359	16,830
Share issue expenses	(8)	-	-	-	(8)
Dividends	-	-	-	(4,128)	(4,128)
Transfer from share premium account to share capital	10,099	(10,099)	-	-	-
At 30 June 2006	29,939	-	22,109	43,707	95,755
At 1 January 2005	12,783	8,299	19,851	19,235	60,168
Change in fair value of available-for-sale investments	-	-	5,317	-	5,317
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	(6,114)	-	(6,114)
Profit for the period	-	-	-	9,159	9,159
Total recognised income and expense for the period	-	-	(797)	9,159	8,362
Issue of shares	1,000	7,900	-	-	8,900
Issue of bonus shares	2,757	(2,757)	-	-	-
Share issue expenses	-	(35)	-	-	(35)
Dividends	-	-	-	(1,058)	(1,058)
At 30 June 2005	16,540	13,407	19,054	27,336	76,337

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 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.

Pursuant to The Companies (Amendment) Act 2005 effective from 30 January 2006, the concept of authorised share capital and par value has been abolished. The amount standing to the credit of the share premium account has been transferred to share capital as at that date.

On 28 April 2006, the Company increased its number of issued ordinary shares to 238,176,525 shares via a bonus issue of 39,696,079 new ordinary shares. The bonus shares were allotted to the shareholders of the Company on the basis of one bonus share for every five existing shares in the share capital of the Company. The newly issued shares rank pari passu in all respects with the previously issued 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.

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as those applied for the audited financial statements for the year ended 31 December 2005.

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.

Not applicable

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	
		30.06.2006	30.06.2005
(a)	Based on weighted average number of ordinary shares in issue	13.00 cts	7.16 cts
(b)	On a fully diluted basis	13.00 cts	7.16 cts

Note :

30 June 2006 : The weighted average number of shares has been adjusted for the 1-for-5 bonus issue of shares on 28 April 2006.

30 June 2005 : The earnings per share has been restated for comparative purposes as a result of the 1-for-5 bonus issue of shares on 13 September 2005 and 28 April 2006, respectively.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

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

	Group		Company	
	30.06.2006	31.12.2005	30.06.2006	31.12.2005
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	56.2 cts	46.0 cts	40.2 cts	34.9 cts

Note: The net asset value per share as at 31 December 2005 has been restated for comparative purposes as a result of the 1-for-5 bonus issue of shares on 28 April 2006.

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

KS Energy Services Limited ("KS Energy") procures, refurbishes and supplies capital equipment (including offshore and onshore rigs, workover pulling units, offshore support vessels, cranes and oilfield equipment) to major oil & gas companies and drilling contractors around the world. It is also an established distributor of equipment, parts and consumables to the oil & gas and marine industries.

Revenue

For the first six months of FY2006, the oil & gas industry remained buoyant. Fuelled by firm oil prices, major oil & gas companies around the world continued to step up their investments in capital equipment to accelerate oil & gas exploration and production activities. In addition to rising contributions from a higher number of capital equipment related projects, the Group also registered strong growth in its distribution business in 1H FY2006. Group revenue improved by 55.9% to \$131.9 million over the previous corresponding period to a record half year performance.

Robust demand for equipment, parts and consumables from the Group's global oil & gas customers underpinned healthy growth in a distribution business that has in recent years expanded through strategic acquisitions. Growth in this division was further compounded by the increasing number of capital equipment projects which added to the demand for parts and equipment.

In 1H FY2006, the Group completed additional rig and capital equipment related projects. Revenue from these projects, coupled with recurring revenue from the existing base of capital equipment charter contracts, contributed to the strong revenue growth in this business segment.

Profitability

In line with the growth in revenue, gross profit rose 34.5% to \$35.8 million. Other operating income increased by 71.7% to \$20.0 million, as a result of gains from partial divestment of quoted securities as well as higher interest and investment income. Total operating expenses remained stable at \$17.3 million as higher distribution and administrative expenses were mitigated by foreign exchange gains, gain on transfer of plant and equipment to a jointly controlled entity relating to capital equipment project. Consequently, profit from operations improved by 83.3% to \$38.5 million.

Finance costs decreased due to lower borrowings as compared to 1H FY2005. The Group's effective tax rate for 1H FY2006 was 15%, i.e. lower than the statutory rate, as the overseas subsidiaries enjoyed lower tax rates. However, 1H FY2005's effective tax rate was lower than 1H FY2006, as the Group benefited from the non-taxable capital gain. Higher minority interests were attributable to improved performances from subsidiaries under the Group.

With the broad-based improvement in group performance, net profit attributable to shareholders of the company rose 82.7% to \$31.0 million for the six months ended 30 June 2006. To reward shareholders, the Directors have proposed dividends of 4.7 cents per share comprising of a special dividend of 1.8 cents per share (less tax at 20%) and an interim dividend of 2.9 cents per share (one-tier tax exempt). The total net dividend payable for 1H FY2006 of \$10.3 million is higher by 151% compared to the total net dividend paid for 1H FY2005 of \$4.1 million.

BALANCE SHEET REVIEW

Current Assets

The Group's current assets were \$236.3 million as at 30 June 2006, an increase of \$ 41.4 million from \$194.9 million as at 31 Dec 2005. The higher current assets were due largely to short term advances to jointly controlled entities and advance payments to suppliers, both relating to capital equipment projects. Trade receivables and inventories also increased corresponding to the increased business revenue.

Non-current Assets

The Group's non-current assets were \$41.6 million as at 30 June 2006, a decrease of \$6.1 million from \$47.7 million as at 31 Dec 2005. This was due mainly to partial disposals of other investments and plant and equipments. Goodwill increased by \$0.8m mainly due to strategic acquisitions made by the Group.

Current Liabilities

The Group's current liabilities were \$119.6 million as at 30 June 2006, an increase of \$9.4 million from \$110.2 million as at 31 Dec 2005. This increase was mainly due to increase in tax provision and short-term borrowings for the purchases of equipments relating to capital equipment projects.

Non-current Liabilities

The Group's non-current liabilities were \$7.3 million as at 30 June 2006, an increase of \$0.4 million from \$6.9 million as at 31 Dec 2005. This was a result of increase in deferred operating liabilities classified under trade and other payables.

Interests of Shareholders

The interests of shareholders increased to \$133.8 million as at 30th June 2006 from \$109.5 million as at 31st December 2005.

CASH FLOW STATEMENT REVIEW

Cash Flow from Operating Activities

The Group's net cash inflow from operating activities was \$2.3 million. The inflow from operating profits of \$19.5 million has been offset by the increase in other current assets of \$10.6 million for advance payments relating to capital projects and increased trade receivables of \$6.9 million corresponding to the increased business volume.

Cash Flow from Investing Activities

The Group's net cash outflow from investing activities was \$0.9 million. This was mainly due to short-term advances to jointly controlled entities for capital equipment projects.

Cash Flow from Financing Activities

The Group's net cash outflow from financing activities was \$9.6 million. This was mainly due to the payment of dividends by the Company and repayment of term loans. As a result, cash and cash equivalents decreased to \$76.4 million as at 30 June 2006.

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 1H FY2006 was in line with the sentiments expressed in a prospect statement (Para 10) of the Company's announcement dated 16th February 2006.

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 global oil & gas industry is expected to remain buoyant for the rest of FY2006. With its integrated capabilities, the Group is well positioned to benefit from strong demand for capital equipment as well as parts and consumables to support oil & gas exploration and production ("E&P") activities around the world.

With rising investments by major oil & gas E&P companies worldwide, the Group expects to refurbish and supply more capital equipment projects for customers in 2H FY2006. In April 2006, Pacific Oilfields Equipment Investment Corporation, controlled by Mr Kris Wiluan, and his associates acquired a substantial interest in KS Energy. Leveraging on Mr Wiluan's extensive contacts in the Indonesian oil & gas sector, the Group is also working to expand into this new market by securing capital equipment related projects.

Strong organic growth and contributions from recently acquired subsidiaries offering complementary products and services will add to the revenue of the distribution business. In addition, the scheduled completion of more capital equipment related projects in 2H FY2006 is expected to add to the demand for parts, equipment and consumables. The Group will continue to seek opportunities to expand its product portfolio to better service existing and new customers as well as explore ways to enhance the value of the business for shareholders.

Barring unforeseen circumstances, the Group expects to achieve growth in net profit in FY2006.

11. Dividend

(a) *Current Financial Period Reported On*

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

Name of Dividend	Special	Interim
Dividend Type	Cash	Cash
Dividend Amount per Share	1.8 cents per ordinary share	2.9 cents per ordinary share
Tax Rate	20%	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	Special	Interim
Dividend Type	Cash	Cash
Dividend Amount per Share	1.5 cents per ordinary share	1.6 cents per ordinary share
Tax Rate	20%	20%

(c) *Date payable*

8th September 2006

(d) *Books closure date*

Notice is hereby given that the Register of Members and Share Transfer Book of the Company will be closed on 30th August 2006 to determine shareholders' entitlement to the Special Dividend of 1.8 cents per ordinary share less 20% tax and Interim Dividend of 2.9 cents per ordinary share, tax exempt under the One-Tier system. ("Dividend").

Duly completed transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services at 8 Cross Street, #11-00 PWC Building, Singapore 048424 up to 5.00pm on 29th August 2006 will be registered to determine the shareholders' entitlement to the Dividend.

In respect of ordinary shares in securities accounts with The Central Depository (Pte) Ltd ("CDP"), the Dividend will be paid by the Company to the CDP which will in turn distribute the dividend entitlements to the CDP accounts holders in accordance with its normal practice.

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

Lim Ka Bee
Company Secretary
7 August 2005