



KS ENERGY SERVICES LIMITED

(Company No.: 198300104G)

Full Year Financial Statement And Dividend Announcement for the Year Ended 31/12/2007

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) %
	31.12.2007 \$'000	31.12.2006 \$'000	
Revenue	402,700	295,132	36.4
Cost of sales	(283,510)	(218,912)	29.5
Gross profit	119,190	76,220	56.4
Other operating income	49,329	23,077	113.8
Distribution costs	(22,839)	(21,056)	8.5
Administrative expenses	(28,889)	(10,964)	163.5
Other operating expenses	(18,899)	(4,491)	320.8
Profit from operations	97,892	62,786	55.9
Finance costs	(15,110)	(2,095)	621.2
Share of results of associates	4,993	1,078	363.2
Share of results of jointly controlled entities	5,158	3,137	64.4
Profit before tax	92,933	64,906	43.2
Income tax expense	(13,174)	(9,983)	32.0
Profit for the year	79,759	54,923	45.2
Attributable to:			
Equity holders of the parent	73,757	50,702	45.5
Minority interests	6,002	4,221	42.2
Profit for the year	79,759	54,923	45.2

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

	Group		Increase/ (Decrease) %
	31.12.2007 \$'000	31.12.2006 \$'000	
Investment income	1,052	1,153	(8.8)
Other income including interest income	5,945	3,655	62.7
Amortisation of intangible assets	(5,164)	-	N/M
Depreciation of property, plant and equipment	(7,691)	(1,882)	308.7
Amortisation of discount on convertible notes	(2,291)	-	N/M
Amortisation of transaction costs incurred in connection with the issue of convertible notes	(89)	-	N/M
Allowance for doubtful debts and bad debts written off	(1,045)	392	N/M
Allowance for slow moving inventories	(151)	198	N/M
Foreign exchange gain/(loss), net	1,724	167	932.3
Gain on disposal of plant and equipment	15	652	(97.7)
Plant and equipment written off	(3)	-	N/M
Gain on dilution of interest in a jointly controlled entity	-	790	N/M
Gain/(Loss) on disposal of interest in a jointly controlled entity	(16)	783	N/M
Negative goodwill arising from additional shares in a jointly controlled entity	50	-	N/M
Gain on disposal of non-current investments	42,938	17,364	147.3
Loss on disposal of interest in an associate	-	(667)	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	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	\$'000	\$'000	\$'000	\$'000
Current assets				
Cash and cash equivalents	85,025	46,015	38,119	16,291
Amounts due from subsidiaries	-	-	102,578	25,851
Trade receivables	137,381	68,593	11,848	23,974
Inventories	194,240	47,546	-	19,610
Other current assets	82,739	36,353	27,354	3,790
	499,385	198,507	179,899	89,516
Non-current assets				
Other investments	28,454	43,462	28,339	43,462
Associates and jointly controlled entities	84,522	60,658	31,729	19,170
Subsidiaries	-	-	181,620	11,447
Property, plant and equipment	128,070	7,891	282	890
Intangible assets	29,400	6,515	-	-
Other non-current assets	4,760	5,294	301	301
	275,206	123,820	242,271	75,270
Total assets	774,591	322,327	422,170	164,786
Current liabilities				
Trade and other payables	142,670	72,474	8,315	12,557
Provision for current tax	19,739	11,491	12,132	7,482
Amounts due to subsidiaries	-	-	4,994	1,807
Borrowings	144,878	41,272	79,470	1,618
	307,287	125,237	104,911	23,464
Non-current liabilities				
Trade and other payables	5,587	7,800	-	-
Amounts due to subsidiaries	-	-	37,298	37,558
Borrowings	215,718	9,989	176,311	273
Deferred taxation	4,382	180	3,437	-
	225,687	17,969	217,046	37,831
Total liabilities	532,974	143,206	321,957	61,295
Net assets	241,617	179,121	100,213	103,491
Equity attributable to equity holders of the parent				
Share capital	75,941	27,771	75,941	27,771
Equity reserve	959	-	959	-
Treasury shares	(34,510)	-	(34,510)	-
Foreign currency translation reserve	(13,476)	(2,170)	-	-
Fair value reserve	18,388	41,438	18,388	41,438
Accumulated profits	147,879	92,217	39,435	34,282
	195,181	159,256	100,213	103,491
Minority interests	46,436	19,865	-	-
Total equity	241,617	179,121	100,213	103,491

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 31.12.2007		As at 31.12.2006	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
56,376	88,502	30,369	10,903

Amount repayable after one year

As at 31.12.2007		As at 31.12.2006	
Secured	Unsecured	Secured	Unsecured
\$'000	\$'000	\$'000	\$'000
113,011	102,707	999	8,990

Details of any collateral

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.

As at 31 Dec 2006, the current secured borrowings of \$30.0 million was secured by 152,500,000 ordinary shares in an associate, SSH Corporation Ltd. 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	
	31.12.2007	31.12.2006
	\$'000	\$'000
Operating activities		
Profit before tax	92,933	64,906
Adjustments for:		
Amortisation of intangible assets	5,164	-
Depreciation of property, plant and equipment	7,691	1,882
Interest income	(3,850)	(2,799)
Interest expense	12,730	2,095
Amortisation of discount on convertible notes	2,291	-
Amortisation of transaction costs incurred in connection with the issue of convertible notes	89	-
Share of results of associates	(4,993)	(1,078)
Share of results of jointly controlled entities	(5,158)	(3,137)
Gain on disposal of plant and equipment	(15)	(652)
Plant and equipment written off	3	-
Negative goodwill arising from additional shares in a jointly controlled entity	(50)	-
Gain on dilution of interest in a jointly controlled entity	-	(790)
Loss/(Gain) on disposal of interest in a jointly controlled entity	16	(783)
Gain on disposal of other investments	(42,938)	(17,364)
Loss on disposal of interest in an associate	-	667
Dividend income	(1,052)	(1,153)
Operating profit before changes in working capital	62,861	41,794
Changes in working capital:		
Inventories	(129,373)	(4,523)
Trade receivables	(49,293)	(18,260)
Other current assets	(24,017)	(1,193)
Trade and other payables	42,272	(12,189)
Cash (used in)/generated from operations	(97,550)	5,629
Income taxes paid	(6,374)	(4,076)
Cash flows from operating activities	(103,924)	1,553
Investing activities		
Payments for purchase of plant and equipment	(12,547)	(2,085)
Proceeds from disposal of plant and equipment	194	4,984
Dividends received	2,577	1,153
Interest received	4,949	2,723
Net cash outflow on acquisition of subsidiaries and minority interest	(118,249)	(1,665)
Payments for investments in associates	(65)	(41,768)
Payments for investments in jointly controlled entities	(8,250)	(3,986)
Payments for acquisition in other investments	(6,211)	-
Proceeds from sale of other investments	45,568	20,083
Proceeds from disposal of interest in a jointly controlled entity	-	1,580
Proceeds from disposal of interest in an associate	191	1,742
Advances to a third party coporation and jointly controlled entities	(5,763)	(32,573)
Cash flows from investing activities	(97,606)	(49,812)
Financing activities		
Proceeds from/(Repayment) of finance lease liabilities	(254)	12
Proceeds from bank loans	553,042	60,753
Repayment of bank loans	(431,193)	(30,380)
Proceeds from Convertible Bond, net	95,730	-
Proceeds from issue of new shares	48,170	-
Payments for share buyback	(34,510)	(2,168)
Payments for share issue expenses	-	(8)
Proceeds from issue of new shares by a subsidiary to minority shareholders	20,337	-
Bills payable to banks	20,573	(336)
Dividends paid to shareholders of the Company	(18,095)	(14,465)
Dividends paid to minority shareholders of subsidiaries	(1,193)	-
Interest paid	(15,222)	(1,786)
Cash flows from financing activities	237,385	11,622
Net increase/(decrease) in cash and cash equivalents	35,855	(36,637)
Cash and cash equivalents at beginning of the period	46,015	83,111
Effect of exchange rate changes on balances held in foreign currencies	(1,128)	(459)
Cash and cash equivalents at end of the year	80,742	46,015
Cash and cash equivalents at end of the year includes the following:		
Cash and cash equivalents	85,025	46,015
Deposits Pledged	(4,283)	-
Cash and cash equivalents at end of the year	80,742	46,015

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	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 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	-	-	-	(11,306)	-	-	(11,306)	(42)	(11,348)
Change in fair value of available-for-sale investments	-	-	-	-	19,413	-	19,413	-	19,413
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	-	-	-	(11,306)	(23,050)	-	(34,356)	(42)	(34,398)
Profit for the year	-	-	-	-	-	73,757	73,757	6,002	79,759
Total recognised income and expense for the year	-	-	-	(11,306)	(23,050)	73,757	39,401	5,960	45,361
Issue of shares	48,170	-	-	-	-	-	48,170	-	48,170
Repurchase of shares	-	-	(34,510)	-	-	-	(34,510)	-	(34,510)
Recognition of equity component of convertible bonds	-	959	-	-	-	-	959	-	959
Dividends	-	-	-	-	-	(18,095)	(18,095)	-	(18,095)
Dividends paid to minority interest	-	-	-	-	-	-	-	(1,193)	(1,193)
Acquisition of subsidiary	-	-	-	-	-	-	-	1,467	1,467
Contribution from minority interest	-	-	-	-	-	-	-	20,337	20,337
At 31 December 2007	75,941	959	(34,510)	(13,476)	18,388	147,879	195,181	46,436	241,617
At 1 January 2006	29,947	-	-	(83)	23,638	55,980	109,482	15,974	125,456
Exchange differences on translation of financial statements of foreign operations	-	-	-	(2,087)	-	-	(2,087)	-	(2,087)
Change in fair value of available-for-sale investments	-	-	-	-	30,176	-	30,176	-	30,176
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	-	-	(12,376)	-	(12,376)	-	(12,376)
Net income recognised directly in equity	-	-	-	(2,087)	17,800	-	15,713	-	15,713
Profit for the year	-	-	-	-	-	50,702	50,702	4,221	54,923
Total recognised income and expense for the year	-	-	-	(2,087)	17,800	50,702	66,415	4,221	70,636
Share buyback - cancellation	(2,168)	-	-	-	-	-	(2,168)	-	(2,168)
Share issue expenses	(8)	-	-	-	-	-	(8)	-	(8)
Dividends	-	-	-	-	-	(14,465)	(14,465)	-	(14,465)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	(652)	(652)
Acquisition of subsidiary	-	-	-	-	-	-	-	322	322
At 31 December 2006	27,771	-	-	(2,170)	41,438	92,217	159,256	19,865	179,121

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	Accumulated profits	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company						
At 1 January 2007	27,771	-	-	41,438	34,282	103,491
Change in fair value of available-for-sale investments	-	-	-	19,413	-	19,413
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	-	(42,463)	-	(42,463)
Net income recognised directly in equity	-	-	-	(23,050)	-	(23,050)
Profit for the year	-	-	-	-	23,248	23,248
Total recognised income and expense for the year	-	-	-	(23,050)	23,248	198
Issue of bonus shares	-	-	-	-	-	-
Share buyback - cancellation	-	-	-	-	-	-
Issue of shares	48,170	-	-	-	-	48,170
Repurchase of shares	-	-	(34,510)	-	-	(34,510)
Recognition of equity component of convertible bonds	-	959	-	-	-	959
Dividends	-	-	-	-	(18,095)	(18,095)
At 31 December 2007	75,941	959	(34,510)	18,388	39,435	100,213
At 1 January 2006	29,947	-	-	23,638	29,476	83,061
Change in fair value of available-for-sale investments	-	-	-	30,176	-	30,176
Transfer to profit and loss account on disposal of available-for-sale investment	-	-	-	(12,376)	-	(12,376)
Net income recognised directly in equity	-	-	-	17,800	-	17,800
Profit for the year	-	-	-	-	19,271	19,271
Total recognised income and expense for the year	-	-	-	17,800	19,271	37,071
Share buyback - cancellation	(2,168)	-	-	-	-	(2,168)
Share issue expenses	(8)	-	-	-	-	(8)
Dividends	-	-	-	-	(14,465)	(14,465)
At 31 December 2006	27,771	-	-	41,438	34,282	103,491

- 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

On 8 August 2007, the Company increased its issued and paid up capital from \$27,771,000 to \$62,063,000 (after deducting expenses) via the placement of 10,000,000 new ordinary shares at an issue price of \$3.485 per share. The newly issued shares rank pari passu in all respects with the previously issued shares.

On 20 August 2007, the Company increased its issued and paid up capital from \$62,063,000 to \$75,941,000 (after deducting expenses) via the placement of 4,500,000 new ordinary shares at an issue price of \$3.084 per share. The newly issued shares rank pari passu in all respects with the previously issued shares.

Convertible Loans & Warrants

On 8 August 2007, the Company issued 5-year non-listed, freely tradable and transferable zero-coupon convertible bonds in a principle amount of \$96.795 million to Stark Master Fund Ltd, Centar Investments (Asia) Ltd and Stark Asia Master Fund Ltd. 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).

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

As at 31 December 2007, the total number of shares that may be issued upon the conversion of all convertible bonds and exercise of all warrants is 32,900,000 ordinary shares (31 December 2006: Nil).

- 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 31 December 2007, 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 2006, the share capital less treasury shares of the Company was 237,295,525 ordinary shares (treasury shares: nil).

- 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 2007 = nil shares

Purchase of treasury shares = 11,308,000 shares

As at 31 December 2007 = 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 2006.

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 ended 31 December 2007. 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	
		31.12.2007	31.12.2006
(a)	Based on weighted average number of ordinary shares in issue	31.27 cts	21.30 cts
(b)	On a fully diluted basis	31.25 cts	21.30 cts

The earnings per share is calculated by dividing the profit attributable to shareholders of \$73,757,000 (31.12.2006: \$50,702,000) by the weighted average number of shares of 235,857,384 (31.12.2006: 238,081,000) in issue during the financial year.

The diluted earnings per share is calculated by dividing the profit attributable to shareholders of \$73,757,000 (31.12.2006: \$50,702,000) by the adjusted weighted average number of shares of 236,054,824 (31.12.2006: 238,081,000) in issue during the financial year.

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

(i) The 9 warrants (9 million new shares upon exercise) issued to Sovereign Assets S.A.. 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 average market price of \$3.28 is higher than the warrant exercise price of \$3.084, which means it will 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	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006
Net asset backing per ordinary share based on existing issued share capital as at the end of the period reported on	81.2 cts	67.1 cts	41.7 cts	43.6 cts

Net asset value per ordinary share is based on 240,487,525 (31.12.2006: 237,295,525) ordinary shares issued as at 31 Dec 2007.

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 ("KSE" or "KS Energy" or the "Group") continued to expand its range of products and services. Highlights during the year include:

- Acquisition of Atlantic Oilfield Services Limited ("AOS"), a specialized oilfield services company providing on and off shore drilling, accommodation and support services to the oil and gas industry. AOS has a well-established presence in the Middle East and the North Sea.
- Expansion of the KSE fleet, including the commissioning of a new rig and acquisition of several land and jackup rigs.
- Our subsidiary, Aqua-Terra Supply Co., Limited ("Aqua-Terra"), added two new subsidiaries, namely Raymonds Supply Co. Ltd ("RSC") and Fischer Engineering Pte Ltd ("FEPL") to its stable of companies.

Revenue

The oil & gas and marine industries remained strong, supporting demand for our products and services. The Group's revenue rose to \$402.7 million from \$295.1 million (FY2006), an increase of \$107.6 million (36.4%).

The Group's distribution business continued to be key contributor for revenue accounting for approximately 73.8% (FY2007: \$297.1 million, FY2006: \$203.7 million) of the Group's total revenue. The balance of 26.2% (FY2007: \$105.6 million, FY2006: \$91.4 million) comprises contribution from the capital equipment and services business. The overall increase in the revenue derived from the market demand, internal growth, acquisitions and increased contribution from capital equipment business.

Profitability

Gross profit grew by 56.4% (FY2007: \$119.2 million, FY2006: \$76.2 million). The year also saw improvement in the Group's profitability as gross profit margin rose from 25.8% (FY2006) to 29.6%. Higher gross margin was mainly due to the higher margin derived from capital equipment and services business.

In FY2007, other operating income contributed \$49.3 million (FY2006: \$23.1 million). The increase of \$26.2 million was due mainly to higher profit derived from the divestment of shares of \$25.5 million (FY2007: \$42.9 million, FY2006: \$17.4 million). The divestment is in line with our realization of value through sale of non-core investment to fund future growth.

Operating expenses were higher in FY2007 due to the higher level of business activities, the consolidation of the accounts of our wholly owned subsidiary - Atlantic Oilfield Services ("AOS"), and the consolidation by Aqua-Terra of the accounts of its newly acquired subsidiaries. Consequently, administrative and distribution expenses reported a cumulative 61.6% increase, rising from \$32.0 million (FY2006) to \$51.7 million in FY2007.

Other operating expenses reported an increase of 320.8% this year, rising from \$4.5 million (FY2006) to \$18.9 million in FY2007. The increase of \$14.4 million was mainly due to higher amortisation of intangibles by \$5.2 million due to the acquisition of AOS and Aqua-Terra's acquisitions, higher depreciation by \$5.8 million as we acquired another jackup rig & a vessel, higher provision of doubtful debts of \$1.4 million in line with the higher business activities, and offset by a fixed asset disposal gain of \$0.6 million in FY2006.

Finance costs rose by \$13.0 million (621.2%), from \$2.1 million (FY2006) to \$15.1 million (FY2007). The increase in finance costs was mainly due to interests incurred on loans obtained for the AOS acquisition (\$4.3 million), AOS's interest (\$3.3 million), imputed interest for the convertible bond if it were not converted by maturity (\$2.3 million) and subscription of the Aqua-Terra rights issues (\$0.6 million).

Net profit after tax in FY2007 rose from \$54.9 million (FY2006) to \$79.8 million (FY2007). Of this amount, net profit attributable to equity holders was \$73.8 million (FY2006: \$50.7 million).

BALANCE SHEET REVIEW

The increased level of activities have expanded the Group's balance sheet. As at 31 December 2007, total assets amounted to \$774.6 million (FY2006: \$322.3 million), total liabilities of \$533.0 million (FY2006: \$143.2 million) and total equity of \$241.6 million (FY2006: \$179.1 million).

Salient details in the Group's balance sheet as at 31 December 2007 include:

Inventories

Inventories rose by \$146.7 million from \$47.5 million (FY2006) to \$194.2 million (FY2007). This was due to our inventory holding of a jackup rig, three land rigs and one floating warehouse vessel, as part of our efforts in building up of our fleet of assets.

Trade receivables

Trade receivables saw an increase of \$68.8 million, from \$68.6 million (FY2006) to \$137.4 million (FY2007). This was mainly due to the consolidation of trade receivables from AOS, increase in Aqua-Terra's trade receivables from their newly acquired subsidiaries and increased business activities.

Other current assets

Other current assets were higher by \$46.3 million, increasing from \$36.4 million (FY2006) to \$82.7 million (FY2007). This was mainly due to deposit of \$15.7 million for a jackup rig and consolidation of AOS other recoverable from one of its customer (\$24.2 million) and other advances to jointly controlled entities.

Property, plant and equipment

Property, plant and equipment rose by \$120.2 million from \$7.9 million (FY2006) to \$128.1 million (FY2007) due primarily to the inclusion of the jackup rig from the acquisition of AOS.

Intangible assets

Intangible assets, comprising goodwill arising mainly from the acquisition of AOS and the acquisition of RSC and FEPL by Aqua-Terra, rose by \$22.9 million from \$6.5 million (FY2006) to \$29.4 million (FY2007).

Trade and other payables

Trade and other payables rose by \$70.2 million, from \$72.5 million (FY2006) to \$142.7 million (FY2007). This was mainly attributable to the higher levels of trade and other payables at Aqua-Terra (\$40.7 million) and the consolidation of the trade and other payables in AOS in FY2007 (\$23.7 million).

Borrowings

The Group's expansionary efforts during the year to step up its activities in capital equipment chartering, drilling and management services gave rise to higher funding needs. Among the assets acquired in the year were land rigs, jack up rigs and the 100% equity in AOS. AOS owns an operating jack-up rig and operates several ongoing management contracts.

Expansion needs, partly fulfilled by borrowings, resulted an increase in borrowing of \$309.3 million, which rose from \$51.3 million (FY2006) to \$360.6 million (FY2007). The Group's additional borrowings comprised of a convertible loan of \$96.9 million; loan of \$89.3 million relating to AOS acquisition, consolidation of AOS loan of \$44.2 million, borrowings of \$32.0 million for the purchase of treasury shares; loan of \$21.8 million relating to the subscription of Aqua-Terra rights issue. The balance increase was due to loans incurred for the acquisition of capital equipment. As at 31 December 2007, the gearing of the Group stood at 1.41 times (net gearing / equity attributable to equity holders of the parent).

Shareholders' Equity

In FY2007, the increase in Equity augmented the Group's funding and working capital needs. Shareholders' equity rose from \$159.3 million (FY2006) to \$195.2 million (FY2007) due to issuance of new shares to strategic investors and profit generated in the year.

CASH FLOW STATEMENT REVIEW

Cash Flow from Operating Activities

Net cash outflow was \$103.9 million. This was mainly due to higher inventory funding requirement, as the Group expanded its fleet.

Cash Flow from Investing Activities

Net cash outflow was \$97.6 million. This was mainly due to the acquisition of AOS and other investments offset by proceeds from sale of other investment.

Cash Flow from Financing Activities

Net cash inflow of \$237.4 million. This was due mainly to \$95.7 million proceeds from the convertible bond, \$48.2 million from the issuance of new shares, \$20.3 million proceeds from the Aqua-Terra rights issue, and a net loan increase of \$121.8 million.

As a result, cash and cash equivalents rose from \$46.0 million (FY2006) to \$85.0 million (FY2007), and unpledged cash and cash equivalent of \$80.7 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 FY2007 was in line with the sentiments expressed in a prospect statement (Para 10) of the Company's announcement dated 14th August 2007.

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 buoyant outlook for the oil and gas industry will continue to spur market demand that will in turn support the growth of our distribution and capital equipment businesses in FY2008.

The Group expects to see further integration of the twin capabilities of KS Energy and AOS. The acquisition of AOS allowed the Group to expand into drilling and related services, thus moving up the value chain. AOS will continue to pursue more rig chartering and management contracts for our capital equipment and services business. We expect capital equipment charter and services to continue to increase its contribution to the Group's overall performance.

On the business front, we are rationalising and improving the quality of our existing fleet. This will enable us to focus on our core business, which is to provide capital equipment and project management for drilling and related services. Plans are underway to divest non-core assets. Resources will thereafter, be redeployed to strengthen our core asset base.

We expect our results for FY2008 to be profitable.

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

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

Name of Dividend	Interim	Special (Interim)	Final
Dividend Type	Cash	Cash	Cash
Dividend Amount per Share	3.0 cents per ordinary 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)	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 (Interim)	Final
Dividend Type	Cash	Cash	Cash
Dividend Amount per Share	1.8 cents per ordinary share	2.9 cents per ordinary share	1.8 cents per ordinary share
Tax Rate	20%	N.A. (one-tier tax exempt)	N.A. (one-tier tax exempt)

(c) Date payable

To be announced at a later date.

(d) Books closure date

To be announced at a later date.

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.

Primary reporting format - business segment

	Distribution	Capital equipment & related services	Group
	\$'000	\$'000	\$'000
Year ended 31 December 2007			
Revenue	297,095	105,605	402,700
Segment results	16,891	21,917	38,808
Unallocated income			1,052
Gain on disposal of non-current investments			42,938
Loss on disposal of interest in a jointly controlled entity	(16)	-	(16)
Share of results of associates	4,902	91	4,993
Share of results of jointly controlled entities	(743)	5,901	5,158
Profit before tax			92,933
Income tax expense			(13,174)
Profit for the year			79,759

	Distribution	Capital equipment & related services	Group
	\$'000	\$'000	\$'000
Year ended 31 December 2006			
Revenue	203,724	91,408	295,132
Segment results	18,456	22,812	41,268
Unallocated income			1,153
Gain on disposal of non-current investments			17,364
Gain on disposal of interest in a jointly controlled entity	-	783	783
Gain on dilution of interest in a jointly controlled entity	-	790	790
Loss on disposal of interest in an associate	(667)	-	(667)
Share of results of associates	1,119	(41)	1,078
Share of results of jointly controlled entities	283	2,854	3,137
Profit before tax			64,906
Income tax expense			(9,983)
Profit for the year			54,923

Secondary reporting format - geographical segments

	Revenue		Carrying amount of segment assets		Capital expenditure	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	222,930	129,843	425,624	199,121	10,116	1,150
The People's Republic of China	39,413	39,999	18,284	42,247	199	90
Other Far East and ASEAN Countries	49,763	54,789	59,202	26,823	250	384
Other Regions	90,594	70,501	271,481	54,136	1,982	461
	402,700	295,132	774,591	322,327	12,547	2,085

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.

Refer to paragraph 8 above.

15. A breakdown of sales

	Group		
	2007	2006	Increase/ (decrease)
	\$'000	\$'000	%
First Half			
(a) Revenue	153,028	131,854	16.1
(b) Profit after tax before deducting minority interests	58,818	32,577	80.6
Second Half			
(c) Revenue	249,672	163,278	52.9
(d) Profit after tax before deducting minority interests	20,941	22,346	(6.3)

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	21,039	14,608
Preference	0	0
Total:	21,039	14,608

BY ORDER OF THE BOARD

Lawrence Kwan
Company Secretary
29 February 2008