

OIL & GAS

# Aqua-Terra to raise \$9.2m in new share placement

## Oil services companies increasingly seeking financing

By MATTHEW PHAN

AQUA-TERRA Supply is the latest company involved in service support for the oil and gas industry seeking to raise funds for expansion.

Aqua-Terra, a Sesdaq-listed subsidiary of SGX mainboard-listed KS Energy Services, yesterday placed 15 million new ordinary shares to raise \$9.2 million to support the offshore asset refurbishment activities of its parent.

The distributor to the oil, gas and marine industries of consumable industrial products such as lubricants and tools, made its initial public offering at a

price of 23 cents per share in March. The share price had risen to 67 cents at yesterday's close.

In the first half of the year, Aqua-Terra generated \$48.4 million in revenue, up from \$10.1 million in the comparable period last year, with \$2.8 million in profit, up from \$27,000 in the first half of 2004.

"We remain optimistic of the prospects for the oil and gas industry. With the additional capital from the placement, Aqua-Terra will be well positioned to take advantage of the business opportunities created," said Tan Kim Seng, executive chairman of KS Energy.

Aqua-Terra's move appears to be part of a trend among oil services companies. Last week, Sky China Petroleum Services, which sells petro-engineering ser-

vices to oil and gas firms in China, lodged its prospectus with the Monetary Authority of Singapore.

Sky China specialises in handling marginal wells — oil wells that have reached the limits of profitable production, due to depletion or naturally low productivity — as well as geographically challenging oilfields. It sets up drilling rigs, bores wells, manages pump stations, arranges for the transport of oil and offers other services.

With current contracts at two oilfields in China expiring in 2007 and in 2014, Sky China intends to invest \$8 million in capital equipment to expand services to other oilfields, as well as \$3 million for importing petrochemicals. It achieved a revenue of \$21.7 million in 2004, up 58.4 per cent from

\$13.7 million in 2003, and \$12.1 million in 2002. At the pre-invitation share capital of 172.8 million shares, earnings per share was 4.05 cents and net profits were \$7 million for 2004. The company noted that its performance was largely dependent on the presence of president and chief executive Liu Qingzeng, who provides strategic direction to Sky China and is the principal contact for its customers.

In April, Pearl Energy, a regional exploration and production company, made its initial public SGX offering at the price of 70 cents per share.

Pearl, which has reported glowing second quarter results, saw its stock price close at \$1.67 yesterday, after hitting a high of \$1.94 in early August and falling to

\$1.44 in September.

One month previously, Australian engineering services company AusGroup, floated 55 million shares at 22 cents apiece on Sesdaq. The group reported positive 2005 results in August and its shares have traded slowly upwards, closing at 33 cents yesterday.

Excited investors in oil and gas-related companies should, however, keep in mind China Aviation Oil, which last November reported that it had lost \$550 million trading oil derivatives. The stock sank to less than \$1 in November 2004, after hitting a high of \$2.65 in March 2004. Its shares are at present suspended from trading, although the company says it wants to see them relisted within six months.