

---

**Financial Statement and Dividend Announcement for the Period Ended 31 March 2019**

---

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT 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 (1 <sup>st</sup> Quarter)		
	3 months ended		
	31.03.2019	31.03.2018	Increase/ (Decrease)
	\$'000	\$'000	
Revenue	4,693	11,355	(58.7%)
Cost of sales	(11,289)	(17,305)	(34.8%)
<b>Gross loss</b>	<b>(6,596)</b>	<b>(5,950)</b>	<b>10.9%</b>
Other income	548	2	>100%
Administrative expenses	(3,323)	(4,470)	(25.7%)
Other operating expenses	(242)	(759)	(68.1%)
<b>Results from operating activities</b>	<b>(9,613)</b>	<b>(11,177)</b>	<b>(14.0%)</b>
Finance income	34	63	(46.0%)
Finance costs	(3,513)	(4,654)	(24.5%)
Share of results of joint venture (net of tax)	—	(1,661)	N/M
<b>Loss before tax</b>	<b>(13,092)</b>	<b>(17,429)</b>	<b>(24.9%)</b>
Income tax expense	(212)	(194)	9.3%
<b>Loss for the period</b>	<b>(13,304)</b>	<b>(17,623)</b>	<b>(24.5%)</b>
Results attributable to:			
<b>Owners of the Company</b>	<b>(10,348)</b>	<b>(13,920)</b>	<b>(25.7%)</b>
Non-controlling interests	(2,956)	(3,703)	(20.2%)
<b>Loss for the period</b>	<b>(13,304)</b>	<b>(17,623)</b>	<b>(24.5%)</b>

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

**1(a)(i) Profit/(Loss) for the period is arrived at after crediting/ (charging):-**

	<b>Group (1<sup>st</sup> Quarter)</b>		
	<b><u>3 months ended</u></b>		
	<b><u>31.03.2019</u></b>	<b><u>31.03.2018</u></b>	<b><u>Increase/</u></b>
	<b>\$'000</b>	<b>\$'000</b>	<b><u>(Decrease)</u></b>
Amortisation of intangible assets	(1)	(42)	(97.6%)
Depreciation of plant and equipment	(7,285)	(7,607)	(4.2%)
Finance costs on secured bonds	(837)	(1,500)	(44.2%)
Interest expense on borrowings	(2,676)	(3,154)	(15.2%)
Gain on disposal of plant and equipment	548	–	N/M
Foreign exchange loss (net)	(155)	(91)	70.3%
Loss on disposal of asset held for sale	–	(363)	N/M

*N/M – Not Meaningful*

*See paragraph 8 for more explanation on the income statement review*

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

	<b>Group</b>		<b>Company</b>	
	<b>31.03.2019</b>	<b>31.12.2018</b>	<b>31.03.2019</b>	<b>31.12.2018</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current assets</b>				
Cash and cash equivalents	8,944	15,606	516	1,079
Amounts due from subsidiaries	–	–	50	171
Trade receivables	4,383	1,758	–	–
Contract assets	1,779	1,263	–	–
Inventories	178	226	–	–
Other assets	5,199	5,039	32	98
	<b>20,483</b>	<b>23,892</b>	<b>598</b>	<b>1,348</b>
<b>Non-current assets</b>				
Subsidiaries	–	–	37,359	47,251
Plant and equipment	378,535	388,487	20	21
Intangible assets and goodwill	–	1	–	–
Other assets	674	679	–	–
Deferred tax assets	552	555	–	–
	<b>379,761</b>	<b>389,722</b>	<b>37,379</b>	<b>47,272</b>
<b>Total assets</b>	<b>400,244</b>	<b>413,614</b>	<b>37,977</b>	<b>48,620</b>
<b>Current liabilities</b>				
Bank overdraft	3,544	3,520	–	–
Trade and other payables	20,416	23,840	2,383	2,267
Contract liabilities	20	20	–	–
Amounts due to subsidiaries	–	–	1,500	1,589
Provision for current tax	3,257	3,197	–	–
Financial liabilities	4,408	11,649	–	–
	<b>31,645</b>	<b>42,226</b>	<b>3,883</b>	<b>3,856</b>
<b>Non-current liabilities</b>				
Trade and other payables	5,992	561	–	–
Amounts due to subsidiaries	–	–	18,058	18,180
Financial liabilities	373,801	368,621	38,883	38,221
Deferred tax liabilities	1,046	1,053	30	30
	<b>380,839</b>	<b>370,235</b>	<b>56,971</b>	<b>56,431</b>
<b>Total liabilities</b>	<b>412,484</b>	<b>412,461</b>	<b>60,854</b>	<b>60,287</b>
<b>Net assets</b>	<b>(12,240)</b>	<b>1,153</b>	<b>(22,877)</b>	<b>(11,667)</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	359,973	359,973	359,973	359,973
Equity reserve	18,007	18,007	18,007	18,007
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(7,186)	(7,160)	–	–
Other reserve	(3,750)	(3,750)	–	–
Accumulated losses	(361,349)	(351,001)	(374,492)	(363,282)
	<b>(20,670)</b>	<b>(10,296)</b>	<b>(22,877)</b>	<b>(11,667)</b>
<b>Non-controlling interests</b>	8,430	11,449	–	–
<b>Total equity</b>	<b>(12,240)</b>	<b>1,153</b>	<b>(22,877)</b>	<b>(11,667)</b>

\* Refer to paragraph 5 for more explanation

See paragraph 8 for more explanation on the balance sheet review

**1(b) (i) Aggregate amount of group's borrowings and debt securities**

<b>Amount repayable in one year or less, or on demand</b>	<b>Group 31.03.2019 \$'000</b>	<b>Group 31.12.2018 \$'000</b>
Secured	3,857	5,785
Unsecured	551	5,864
Total	<u>4,408</u>	<u>11,649</u>
<b>Amount repayable after one year</b>	<b>Group 31.03.2019 \$'000</b>	<b>Group 31.12.2018 \$'000</b>
Secured	364,217	364,350
Unsecured	9,584	4,271
Total	<u>373,801</u>	<u>368,621</u>
<b>Amount repayable in total</b>	<b>Group 31.03.2019 \$'000</b>	<b>Group 31.12.2018 \$'000</b>
Secured	368,074	370,135
Unsecured	10,135	10,135
Total	<u>378,209</u>	<u>380,270</u>

Included in unsecured borrowings repayable within one year as at 31 March 2019 was an amount of \$135,000 relating to loans from related parties (31 December 2018: \$135,000).

Included in secured borrowings repayable after one year as at 31 March 2019 are fixed rate secured bonds due 2020 that were issued by the Company on 8 December 2017 (the "2017 Bonds"). The carrying value of the 2017 Bonds was \$38,883,000 (31 December 2018: \$38,221,000).

**Details of the collaterals:**

Secured bank loans are secured on plant and equipment, pledged cash deposits and corporate guarantees by the Company. The 2017 Bonds are secured by a share charge in respect of a portion of the Company's shares in a subsidiary of the Group, KS Drilling Pte Ltd and a negative pledge.

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

	<b>Group (3 months ended)</b>	
	<b>31.03.2019</b>	<b>31.03.2018</b>
	<b>\$'000</b>	<b>\$'000</b>
<b><u>Operating activities</u></b>		
Loss before tax	(13,092)	(17,429)
<b>Adjustments for:</b>		
Amortisation of intangible assets	1	42
Depreciation of plant and equipment	7,285	7,607
Gain on disposal of plant and equipment	(548)	–
Loss on disposal of asset held for sale	–	363
Finance income	(34)	(63)
Finance costs	2,676	3,154
Finance costs on secured bonds	837	1,500
Share of results of joint ventures, net of tax	–	1,661
Unrealised foreign exchange gain	(132)	(358)
Operating loss before changes in working capital	(3,007)	(3,523)
<b>Changes in working capital:</b>		
- contract assets	(524)	261
- trade receivables	(2,639)	887
- other assets	(180)	2,755
- trade and other payables	420	(1,139)
- contract liabilities	–	(2,940)
<b>Cash used in operating activities</b>	<b>(5,930)</b>	<b>(3,699)</b>
Taxes (paid)/refund	(1)	(63)
<b>Net cash used in operating activities</b>	<b>(5,931)</b>	<b>(3,762)</b>
<b><u>Investing activities</u></b>		
Proceeds arising to non-trade net receivables with joint ventures	–	(4)
Interest received	34	63
Acquisition of plant and equipment	(55)	(474)
Proceeds from disposal of plant and equipment	722	295
Acquisition of subsidiary, net of cash acquired	–	9,041
<b>Net cash from investing activities</b>	<b>701</b>	<b>8,921</b>
<b><u>Financing activities</u></b>		
Decrease in deposits pledged	231	921
Interest paid on borrowings	(912)	(2,191)
Repayment of bank loans	(671)	(794)
Loan from related parties	–	500
Payment of transaction costs of bank loans	(11)	(13)
<b>Net cash used in financing activities</b>	<b>(1,363)</b>	<b>(1,577)</b>

<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,593)</b>	<b>3,582</b>
Cash and cash equivalents at beginning of the year	10,005	6,776
Effect of exchange rate fluctuations on cash held in foreign currencies	138	(210)
<b>Cash and cash equivalents at end of the period</b>	<b>3,550</b>	<b>10,148</b>

**Cash and cash equivalents at end of the period includes the following:**

Cash and cash equivalents	8,944	10,905
Bank overdraft	(3,544)	–
Cash and cash equivalents (net)	5,400	10,905
Deposit pledged	(1,850)	(757)
<b>Cash and cash equivalents at end of the period</b>	<b>3,550</b>	<b>10,148</b>

See paragraph 8 for explanation on the statement of cash flow review

**1(d) Statement of Comprehensive Income**

	<b>Group (1<sup>st</sup> Quarter) 3 months ended</b>		
	<b>31.03.2019 \$'000</b>	<b>31.03.2018 \$'000</b>	<b>Increase/ (Decrease) %</b>
<b>Loss attributable to:</b>			
Owner of the Company	(10,348)	(13,920)	(25.7)
Non-controlling interests	(2,956)	(3,703)	(20.2)
<b>Loss for the period</b>	<b>(13,304)</b>	<b>(17,623)</b>	(24.5)
<b>Other comprehensive expense for the period:</b>			
Defined benefit plan remeasurements	–	6	N/M
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(89)	(1,899)	(95.3)
<b>Other comprehensive expense for the period</b>	<b>(89)</b>	<b>(1,893)</b>	(95.3)
<b>Total comprehensive expense for the period</b>	<b>(13,393)</b>	<b>(19,516)</b>	(31.4)
<b>Total comprehensive expense attributable to:</b>			
Owners of the Company	(10,374)	(15,449)	(32.9)
Non-controlling interests	(3,019)	(4,067)	(25.8)
<b>Total comprehensive expense for the period</b>	<b>(13,393)</b>	<b>(19,516)</b>	(31.4)

**1(d)(i)** A statement (for the issuer and the 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.

Group	Share capital \$'000	Equity reserve \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>At 1 January 2019</b>	359,973	18,007	(26,365)	(7,160)	(3,750)	(351,001)	(10,296)	11,449	1,153
<b>Total comprehensive expense for the period</b>									
Loss for the period	–	–	–	–	–	(10,348)	(10,348)	(2,956)	(13,304)
<b>Other comprehensive expense</b>									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	–	–	–	(26)	–	–	(26)	(63)	(89)
Total other comprehensive expense	–	–	–	(26)	–	–	(26)	(63)	(89)
<b>Total comprehensive expense for the period</b>	–	–	–	(26)	–	(10,348)	(10,374)	(3,019)	(13,393)
<b>At 31 March 2019</b>	<b>359,973</b>	<b>18,007</b>	<b>(26,365)</b>	<b>(7,186)</b>	<b>(3,750)</b>	<b>(361,349)</b>	<b>(20,670)</b>	<b>8,430</b>	<b>(12,240)</b>

Group	Share capital \$'000	Equity reserve \$'000	Treasury shares \$'000	Foreign currency translation reserve \$'000	Other reserve \$'000	Accumulated losses \$'000	Total attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total equity \$'000
<b>At 1 January 2018</b>	359,973	18,007	(26,365)	(8,476)	(3,750)	(308,862)	30,527	21,795	52,322
<b>Total comprehensive expense for the period</b>									
Loss for the period	—	—	—	—	—	(13,920)	(13,920)	(3,703)	(17,623)
<b>Other comprehensive (expense)/income</b>									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	—	—	—	(1,534)	—	—	(1,534)	(365)	(1,899)
Defined benefit plan remeasurements	—	—	—	—	—	5	5	1	6
Total other comprehensive (expense)/income	—	—	—	(1,534)	—	5	(1,529)	(364)	(1,893)
<b>Total comprehensive expense for the period</b>	—	—	—	<b>(1,534)</b>	—	<b>(13,915)</b>	<b>(15,449)</b>	<b>(4,067)</b>	<b>(19,516)</b>
<b>Transactions with owners of the Company, recognised directly in equity</b>									
<b>Contributions by the distributions to owners of the Company</b>									
Acquisition of a subsidiary	—	—	—	—	—	—	—	688	688
<b>Total contributions by and distributions to owners of the Company</b>	—	—	—	—	—	—	—	<b>688</b>	<b>688</b>
<b>At 31 March 2018</b>	<b>359,973</b>	<b>18,007</b>	<b>(26,365)</b>	<b>(10,010)</b>	<b>(3,750)</b>	<b>(322,777)</b>	<b>15,078</b>	<b>18,416</b>	<b>33,494</b>



Company	Share capital \$'000	Equity reserve \$'000	Treasury shares \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2019	359,973	18,007	(26,365)	(363,282)	(11,667)
Loss for the period	–	–	–	(11,210)	(11,210)
<b>Total comprehensive expense for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(11,210)</b>	<b>(11,210)</b>
At 31 March 2019	<b>359,973</b>	<b>18,007</b>	<b>(26,365)</b>	<b>(374,492)</b>	<b>(22,877)</b>
At 1 January 2018	359,973	18,007	(26,365)	(310,447)	41,168
Loss for the period	–	–	–	(20,194)	(20,194)
<b>Total comprehensive expense for the period</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(20,194)</b>	<b>(20,194)</b>
At 31 March 2018	<b>359,973</b>	<b>18,007</b>	<b>(26,365)</b>	<b>(330,641)</b>	<b>20,974</b>

**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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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.**

There was no change in the Company's issued and paid-up capital for the period from 1 January 2019 to 31 March 2019. The Company did not have any subsidiary holdings as at 31 March 2019 (31 December 2018: Nil).

As at 31 March 2019 and 31 December 2018, the number of ordinary shares in issue was 524,240,215 of which 8,639,000 were held by the Company as treasury shares.

#### Convertible Bonds

As at 31 March 2019 and 31 December 2018, there were no convertible bonds outstanding.

#### Warrants

As at 31 March 2019 and 31 December 2018, there were no outstanding warrants.

## KS Energy Performance Share Plan (the "Plan")

As at 31 March 2019, there were no outstanding shares issued under the Plan which was approved by the shareholders of the Company on 2 July 2009.

**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 March 2019 and 31 December 2018, the share capital less treasury shares of the Company was 515,601,215 ordinary shares (524,240,215 issued ordinary shares less 8,639,000 treasury shares).

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

There were no sales, transfers, cancellation and/or use of treasury shares as at 31 March 2019 (31 March 2018: Nil).

**1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.**

There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 31 March 2019 (31 March 2018: Nil).

**2. Whether the figures have been audited, or reviewed and in accordance with which 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 period as those applied for the audited financial statements for the financial year ended 31 December 2018.

**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.**

### *SFRS(I) 16 Leases*

The Group is required to adopt *SFRS(I) 16 Leases* from 1 January 2019.

SFRS(I) 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. Lessor accounting remains similar to the current standard. i.e. lessors continue to classify leases as finance or operating leases.

For leases which the Group is a lessee, the Group is required to recognise new assets and liabilities for its portfolio of operating leases. The nature of expenses related to those leases has changed because the Group will recognise a depreciation charge for ROU assets and interest expense on lease liabilities.

Previously, the Group recognised operating lease expense on a straight-line basis over the term of the leases, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

The application of this SFRS(I) 16 does not have a significant impact to the Group's financial statements.

**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.**

	<b>3 months ended</b>	
	<b><u>31.03.2019</u></b>	<b><u>31.03.2018</u></b>
Loss per share attributable to owners of the Group:	Cents	Cents
(a) Based on weighted average number of ordinary shares in issue (cents per share)	(2.01)	(2.70)
- Weighted average number of shares	515,601,215	515,601,215
(b) On a fully diluted basis (cents per share)	(2.01)	(2.70)
- Weighted average number of shares	515,601,215	515,601,215

The basic and diluted earnings per share for the three months ended 31 March 2019 was calculated by dividing the loss attributable to shareholders of \$10,348,000 (31.03.2018: \$13,920,000) by the weighted average number of shares in issue during the financial period.

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

The diluted earnings per share computations have not taken into consideration the effects of the 2017 Bonds as at 31 March 2019, nor the 2017 bonds as at 31 March 2018, as they are anti-dilutive pursuant to para 41 of SFRS(I) 33.

**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**

	<b>Group</b>		<b>Company</b>	
	<b><u>31.03.2019</u></b>	<b><u>31.12.2018</u></b>	<b><u>31.03.2019</u></b>	<b><u>31.12.2018</u></b>
	Cents	Cents	Cents	Cents
Net asset value (excluding non-controlling interests) per ordinary share based on existing issued share capital as at the end of the period reported on	(4.0)	(2.0)	(4.4)	(2.3)

The Group's and the Company's net asset values per ordinary share have been computed based on the 515,601,215 ordinary shares issued as at 31 December 2018 (31.12.2017: 515,601,215).

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**

### **Financial period ended 31 March 2019**

	<b>Group (1<sup>st</sup> Quarter)</b>		
	<b>3 months ended</b>		
	<b>31.03.2019</b>	<b>31.03.2018</b>	<b>Change</b>
	<b>\$'000</b>	<b>\$'000</b>	
<b>Revenue by segment</b>			
Drilling	4,693	11,334	(58.6%)
Engineering	–	21	N/M
	<b>4,693</b>	<b>11,355</b>	<b>(58.7%)</b>

## **Overview**

The financial results reflect the continuing weak operating conditions across the oil and gas services sector.

### **Results for the three months ended 31 March 2019 ("Q1 2019")**

The consolidated revenue was \$4.7 million for Q1 2019, a decrease of \$6.7 million, or 58.7%, below that of \$11.4 million reported for the three months ended 31 March 2018 ("Q1 2018") due to the lower revenue from the Drilling segment following the completion of some charter contracts.

The consolidated loss after tax was \$13.3 million for Q1 2019, an improvement of \$4.3 million compared to the consolidated loss after tax of \$17.6 million reported for Q1 2018. The improvement was mainly due to:

- i. a \$1.5 million smaller losses from operating activities which reduced from a \$11.1 million loss in Q1 2018 to a \$9.6 million loss in Q1 2019.
- ii. a \$1.7 million smaller loss from share of results of joint venture, from a \$1.7 million loss in Q1 2018 to \$0.0 in Q1 2019 due to the disposal of the joint venture; and
- iii. a \$1.2 million decrease in Finance Costs from \$4.7 million in Q1 2018 to \$3.5 million in Q1 2019.

Partially offset by

- iv. a \$0.1 million decrease in Finance Income from \$0.1 million in Q1 2018 to \$0.0 in Q1 2019.

## **Revenue**

The consolidated revenue was \$4.7 million in Q1 2019, a decrease of \$6.7 million, or 58.7%, below that of \$11.4 million reported for Q1 2018.

Revenue from the Drilling business decreased \$6.7 million, or 58.6%, from \$11.4 million for Q1 2018 to \$4.7 million for Q1 2019. The lower revenue resulted from completion of some charter contracts. Revenue contribution from the Drilling business made up 100.0% of the Group's consolidated revenue for Q1 2019.

There was no revenue for Q1 2019 from Engineering business.

## **Gross Loss**

The gross loss of \$6.6 million for Q1 2019 was 10.9% higher than the gross loss of \$6.0 million reported for Q1 2018. The larger gross loss in Q1 2019 was the net result of a \$6.0 million decrease in cost of sales and a \$6.7 million decrease in revenue. Included in cost of sales are the cost of goods sold, the cost of services provided, and certain fixed costs associated with our fleet of rigs such as depreciation which decreased by \$0.4 million from \$7.5 million in Q1 2018 to \$7.1 million in Q1 2019. The lower depreciation charge in Q1 2019 was mainly due to the disposal of plant and equipment in FY2018 and some fully depreciated equipment.

The gross loss margin increased from 52.4% in Q1 2018 to 140.5% in Q1 2019.

## **Other Income**

The breakdown of "other income" is shown below:

	31.03.2019 \$'000	31.03.2018 \$'000	Change \$'000
<b>Detailed breakdown:</b>			
Gain on disposal of plant and equipment	548	–	548
Others	–	2	(2)
<b>Other Income</b>	<b>548</b>	<b>2</b>	<b>546</b>

Other income increased by \$0.5 million from \$0.0 million for Q1 2018 to \$0.5 million for Q1 2019. Other income mainly comprised gain on disposal of plant and equipment and other income not directly related to the revenue generated from our day-to-day operations.

## **Operating Expenses**

Administrative expenses decreased \$1.2 million from \$4.5 million in Q1 2018 to \$3.3 million in Q1 2019 mainly due to reduced staff costs.

Other operating expenses decreased \$0.6 million from \$0.8 million in Q1 2018 to \$0.2 million in Q1 2019 mainly due to a \$0.4 million loss on disposal of an asset held for sale in Q1 2018.

## **Finance Income and Costs**

Finance income decreased by \$0.1 million from \$0.1 million in Q1 2018 to \$0.0 million in Q1 2019. The finance income was mainly derived from interest income on fixed deposits.

Finance costs decreased \$1.2 million from \$4.7 million in Q1 2018 to \$3.5 million in Q1 2019 due to a reduction in borrowing costs.

### **Share of results of Joint Venture**

The Group's share of results of joint venture decreased \$1.7 million from a loss of \$1.7 million for Q1 2018 to \$0.0 in Q1 2019. The loss in Q1 2018 is due to losses recorded by the Distribution business. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group") decreased \$1.7 million from a loss of \$1.7 million for Q1 2018 to a loss of \$0.0 for Q1 2019 due to the Group completed the disposal of 100% of the existing issued share capital of KS Resources Pte Ltd which held the 55.35% of KS Distribution Pte Ltd in FY2018.

### **Tax expense**

The tax expense was \$0.2 million for both in Q1 2018 and Q1 2019.

### **Result Attributable to Shareholders**

The result attributable to Owners of the Company was a loss of \$10.3 million for Q1 2019 which was \$3.6 million smaller than the loss of \$13.9 million reported for Q1 2018.

## **STATEMENT OF FINANCIAL POSITION REVIEW**

### **Assets**

The Group's total non-current assets decreased \$9.9 million from \$389.7 million as at 31 December 2018 to \$379.8 million as at 31 March 2019.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet decreased by \$9.3 million from \$323.9 million as at 31 December 2018 to \$314.6 million as at 31 March 2019 mainly due to depreciation charges of \$7.2 million and foreign exchange impacts of \$2.1 million. The carrying value of assets under construction decreased by \$0.6 million from \$64.2 million as at 31 December 2018 to \$63.6 million as at 31 March 2019 mainly due to foreign exchange impacts of \$0.4 million and the disposal of plant and equipment of \$0.2 million.

Total current assets decreased \$3.4 million from \$23.9 million as at 31 December 2018 to \$20.5 million as at 31 March 2019. The decrease in current assets was mainly due to lower cash and cash equivalents offset by higher trade receivables, contract assets and other assets. Trade receivables increased \$2.6 million from \$1.8 million as at 31 December 2018 to \$4.4 million as at 31 March 2019 due to longer collection periods before 31 March 2019. Contract assets increased \$0.5 million from \$1.3 million as at 31 December 2018 to \$1.8 million as at 31 March 2019 due to higher accrued revenue generated. Other current assets increased \$0.2 million from \$5.0 million as at 31 December 2018 to \$5.2 million as at 31 March 2019 (see table below).

The breakdown of "other current assets" is shown below:

	<b>31.03.2019</b>	<b>31.12.2018</b>	<b>Movement</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Detailed breakdown:</b>			
Sundry deposits	<b>196</b>	112	84
Withholding tax recoverable	<b>626</b>	615	11
Value-added tax receivable	<b>3,381</b>	3,269	112
Other debtors	<b>554</b>	506	48
Advanced payment to supplier	<b>39</b>	63	(24)
Prepayments	<b>403</b>	474	(71)
<b>Other Current Assets</b>	<b>5,199</b>	<b>5,039</b>	<b>160</b>

These balances mainly originate from our Drilling business and are routine in nature.

## **Liabilities**

Total liabilities remain at \$412.5 million as at 31 December 2018 and as at 31 March 2019.

Total borrowings decreased by \$2.1 million from \$380.3 million as at 31 December 2018 to \$378.2 million as at 31 March 2019 due to a \$2.1 million decrease in secured borrowings. The decrease in total borrowings was due to loan repayments of \$0.7 million and \$2.3 million of foreign exchange impacts, as most of the secured bank loans are denominated in a foreign currency, offset by an increase of \$0.9 million due to deferred finance costs.

The amount of current borrowings due within the next twelve months decreased \$7.2 million from \$11.6 million as at 31 December 2018 to \$4.4 million as at 31 March 2019 mainly due to amendments to the repayment schedule of the unsecured loan agreements leading to a reclassification from current to non-current borrowings.

The amount of non-current borrowings due after more than one year increased \$5.2 million from \$368.6 million as at 31 December 2018 to \$373.8 million as at 31 March 2019 mainly due to amendments to the repayment schedule mentioned above and the foreign exchange impacts.

Within current liabilities, trade and other payables decreased \$3.4 million from \$23.8 million as at 31 December 2018 to \$20.4 million as at 31 March 2019 mainly due to a \$0.1 million reduction in trade creditors, a \$1.1 million reduction in accrued operating expenses and a \$3.8 million reduction in accrued interest offset by a \$1.4 million increase in refundable deposits. The reduction in accrued interest mainly due to amendments in the loan agreements leading to a reclassification from current to non-current liabilities.

As at 31 March 2019, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of \$11.2 million and \$3.3 million respectively. As at 31 December 2018, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of \$18.3 million and \$2.5 million respectively.

In addition, as at 31 March 2019, the Group had negative shareholder's equity of \$20.7 million and the Company was in a net liability position (total liabilities exceeded total assets) of \$22.9 million. The Group has announced on 26 April 2019 completion of the proposed repurchase of \$31.0 million existing secured bonds and the issuance of new shares as consideration for the payment of the Company for the purchase of the existing secured bonds.

The financial statements for the 3-months ended 31 March 2019 are prepared on a going concern basis, the validity of which is premised on the continuing availability of credit facilities to the Group for at least another twelve months from the reporting date, and the sufficiency of cash flows to be generated from the Group's operating activities.

Although the Group expects the overall operating environment to remain challenging in the next twelve months, it anticipates generating positive cash flows from existing rig charter contracts and prospective rig charter contracts. The Group expects to secure work for its rigs in South East Asia over the course of FY2019 with contract values of at least US\$30 million. The operating cash flow forecast is derived from the chartering cash flow forecast, the forecast for other operating costs and the forecast for changes in working capital which are continuously reviewed by management. In addition, the Group shall seek to divest any surplus assets when opportunities arise and currently expects to generate at least US\$1.2 million over the course of FY2019. The Group shall continue to work closely with its bankers to allow the Group to meet its debt obligations as and when they fall due.

The Group has capital commitments of \$256.4 million and \$229.3 million for assets under construction. The Group continues to engage in discussions with the shipyards and, subject to obtaining the required financing, is expected to have sufficient resources to meet the capital commitments of the Group.

## **STATEMENT OF CASH FLOWS REVIEW**

As at 31 March 2019, cash and cash equivalents amounted to \$5.4 million (31 March 2018: \$10.9 million), of which unpledged cash and cash equivalents amounted to \$3.6 million (31 March 2018: \$10.1 million).

### **Cash Flow from Operating Activities**

Operating activities incurred a net cash outflow of \$5.9 million for the three months ended 31 March 2019. The net cash outflow from operating activities comprised a cash outflow of \$3.0 million arising due to operating losses before changes in working capital and a cash outflow of \$2.9 million arising due to changes in working capital.

### **Cash Flow from Investing Activities**

The net cash flow from investing activities amounted to an inflow of \$0.7 million for the three months ended 31 March 2019. This was mainly due to proceeds from disposal of plant and equipment of \$0.7 million.

### **Cash Flow from Financing Activities**

The net cash flow from financing activities amounted to an outflow of \$1.4 million for the three months ended 31 March 2019. Interest paid during Q1 2019 generated a cash outflow of \$0.9 million and the repayment of bank loans during Q1 2019 amounted to \$0.7 million. A reduction of deposits pledged generated a cash inflow of \$0.2 million during Q1 2019.

**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 Q1 2019 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 27 February 2019.

**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 current trend in oil prices indicates the probability of a better business environment for the offshore services sector. If this trend sustains, it would be reasonable to expect opportunities to eventuate for companies such as KS Energy at least through the medium term. The Group shall continue to manage its balance sheet to improve its financial position.

The Group has announced on 26 April 2019 completion of the proposed repurchase of \$31.0 million existing secured bonds and the issuance of new shares as consideration for the payment of the Company for the purchase of the existing secured bonds.



**11. Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

No.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

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

No.

**(c) Date payable**

Not applicable.

**(d) Books closure date**

Not applicable.

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

No dividend has been declared/recommendeded for the current financial reporting period due to the lack of distributable funds.

### 13. Interested persons transaction

The Group has the following interested person transactions (“IPT”) for the first three months of the financial year ended 31 March 2019:

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandates pursuant to Rule 920 during the financial year under review (excluding transactions less than \$100,000)
<b>PT KS Drilling Indonesia and its subsidiaries (“JVC Group”)</b> <ul style="list-style-type: none"> <li>Expected additional interest income on Financing <sup>(2)</sup></li> </ul> <p><i>Additional information pursuant to the JVC IPT Mandate:</i></p> <ul style="list-style-type: none"> <li>Injection of funds by KS Drilling to JVC Group</li> <li>Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of period <sup>(1)</sup></li> <li>Total outstanding amount due from JVC Group for rig management fees and other services as at the end of period</li> <li>Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period <sup>(2)</sup></li> </ul>	<p>USD 2,442,048</p> <p>USD 312,768</p>	<p>SGD 3,907,079</p> <p>USD 52,267</p> <p>USD 50,114,340</p>

<sup>(1)</sup> On 22 January 2016, PT Java Star Rig (“PT JSR”, a subsidiary of PT KS Drilling Indonesia) was notified that its appeal had been rejected, and the Ministry of Finance of the Republic of Indonesia – Directorate General Customs and Excise commenced the process to call upon the Customs Bond. The Insurer paid the amount due under the Customs Bond, and subsequently called on the Guarantee. The funds were disbursed pursuant to the Guarantee on 4 February 2016. As a result, a debt arose between KS Drilling as creditor and PT JSR as debtor (the “Additional Loan”). The Additional Loan has been charged to PT JSR at an interest rate of 7.0% per annum (please refer to the announcement dated 1 March 2016 for more details) and the principal amount outstanding as at 31 March 2019 was US\$0.5 million. The Company released an update announcement dated 21 June 2018.

- (2) With reference to the IPT Mandate approved by shareholders at the EGM held on 7 December 2012 and the Circular dated 22 November 2012, which was reapproved by shareholders at the AGM held on 26 April 2019, the Group provided funding for the purchase of Rigs and Equipment which has been provided by way of shareholder guarantees and shareholder loans (the “Financing”) to JVC Group. The shareholder loans provided under such Financing by KS Drilling Pte Ltd (“KS Drilling”), an 80.09% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 31 March 2019 was US\$37.9 million which has been used to finance the acquisition of the jack-up rig named “KS Java Star” and additional equipment required by the rig. Included in the US\$37.9 million balance is US\$0.05 million that has been advanced during the current financial year to 31 March 2019.

**14. Negative confirmation pursuant to Rule 705 (5)**

Provided below.

**15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)**

Pursuant to Rule 720(1) of the Listing Manual, the Company has procured undertakings from all its directors, the chief executive officer and chief financial officer.

**BY ORDER OF THE BOARD**

**Lai Kuan Loong, Victor**  
**Company Secretary**  
**13 May 2019**

## **NEGATIVE CONFIRMATION BY THE BOARD PURSUANT TO RULE 705(5)**

We, Mr Kris Wiluan and Soh Gim Teik, being Directors of KS Energy 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 financial results for the period ended 31 March 2019 to be false or misleading in any material aspect.

On behalf of the Board of Directors

**KRIS WILUAN**  
**Executive Chairman and Chief Executive Officer**

**SOH GIM TEIK**  
**Director**

Singapore, 13 May 2019