KS ENERGY LIMITED
An Integrated Energy Services Hub

PROPOSED DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL OF KS RESOURCES PTE LTD

1. INTRODUCTION

The board of directors (the "**Board**" or the "**Directors**") of KS Energy Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to announce that the Company had on 19 October 2018 entered into a sale and purchase agreement (the "**SPA**") with ACH Distribution Pte. Ltd. (the "**Purchaser**") in relation to the proposed disposal of 100% of the existing issued share capital of its wholly-owned subsidiary KS Resources Pte Ltd (**"KSR"**) ("**Sale Shares**", and KSR together with its subsidiaries collectively, the "**Target Group**") which holds 55.35% of KS Distribution Pte. Ltd. ("**KS Distribution**"), and subject to the terms and conditions of the SPA (the "**Proposed Disposal**") for an aggregate cash consideration of S$1,643,000 (the "**Consideration**"). KS Distribution is a joint venture and is 55.35% owned by the Company through its wholly-owned subsidiary, KSR, and 44.65% owned by a third party, Actis Excalibur Limited ("**Actis**"). ACH has concurrently entered into a separate sale and purchase agreement with Actis in relation to the purchase of Actis' entire shareholdings in KS Distribution.

The Board also wishes to announce that the Company has on the same day entered into an agreement with the Purchaser in relation to the payment of a contingent sum in the event certain thresholds and conditions are met ("**Participating Note**") in connection with the Proposed Disposal.

2. INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated under the laws of Singapore and wholly-owned by Mr. Christopher Chong, a co-founder of ACH Investments Pte. Ltd. (**"ACH"**), a leading cross border corporate advisory firm regulated by the Monetary Authority of Singapore. The Purchaser, Mr. Christopher Chong and, ACH are not related to any of the directors, management or controlling shareholders of the Company.

3. RATIONALE FOR THE PROPOSED DISPOSAL

The Proposed Disposal is in line with the Company's intention to dispose the distribution business, which is accounted for as a joint venture and which has been suffering losses in recent years due to instability in the oil prices and slower growth in the global economy. The Company has recorded losses from its share of results from KS Distribution of $2.9 million for the six-months ended 30 June 2018 and $14.0 million for the 12-months ended 31 December 2017. The Proposed Disposal is undertaken as part of the restructuring of the Group and its debt liabilities. It will also allow the Company to strengthen its financial position and achieve an immediate gain on disposal. The Proposed Disposal is essential to the Group's continued development and operation as it will result in a substantial reduction in losses, a significant lowering of liabilities and a cash inflow.

With the Proposed Disposal, the Group will focus on its current businesses of capital equipment charter, the provision of drilling and rig management services and specialised engineering and fabrication. There shall be no change in business profile of the Group following the Proposed Disposal.

4. USE OF PROCEEDS

The Company expects to receive gross proceeds of S$1,643,000 from the Proposed Disposal (excluding estimated transactional expenses to be incurred in connection therewith). The proceeds from the Proposed Disposal will be used by the Company to finance debt repayments.

5. PRINCIPAL TERMS OF THE PROPOSED DISPOSAL

5.1. Consideration

The Consideration of S$1,643,000 for the Proposed Disposal will be satisfied in full on Completion (as defined below) in a form to be agreed by the Company and Purchaser. The Consideration was arrived at following arm's length negotiations on a willing buyer willing seller basis, taking into account the book value of the Target Group.

5.2. Completion

Subject to the terms and conditions of the SPA, completion shall take place on the completion date (**"Completion"**), being the later of (i) the date falling seven (7) business days after the date on which all the Conditions Precedent set out in Paragraph 5.3 of this announcement have been fulfilled or waived in writing; or (ii) such later date as the Purchaser and the Company may otherwise agree in writing, which in any event shall be no later than the long-stop date of 30 November 2018 or such other date as the Parties may agree in writing (**"Long-Stop Date"**).

5.3. Conditions Precedent to the Completion of the Proposed Disposal

Completion of the Proposed Disposal is conditional upon:

(a) the completion of a legal and financial due diligence exercise by the Purchaser and its advisers on the Target Group, which shall include, without limitation, (i) the review of the Target Group's business and operations; (ii) the review of historical figures; (iii) the review of directors, employees and staff; and (iv) the review of any and all documents relating to legal matters, including but not limited to documents in relation to borrowings and guarantees, the results of such exercise being satisfactory to the Purchaser, in its sole and absolute discretion;

(b) all approvals, consents, and/or waivers as may be necessary from any third party, governmental or regulatory body or relevant competent authority, bank or financial institution for the sale and purchase of the Sale Shares being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended, or revoked, and if such approval, consents, and/or waivers are granted or obtained subject to any conditions, and if such conditions affect any of the parties, such conditions being acceptable to the party concerned, and if such conditions are to be fulfilled before Completion, such conditions being fulfilled before Completion;

(c) the execution and performance of (i) the SPA and (ii) the Participating Note by the parties not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority;

(d) the Purchaser having obtained the necessary funding for the payment in full of the Consideration at Completion;

(e) all warranties provided by the Purchaser and the Company (as the case may be) under the SPA being complied with, true, accurate and correct as at the date of the SPA and each day up to and including the date of Completion; and

(f) no material adverse change in the prospects, operations or financial conditions of the Company occurring on or before the date of Completion.

6. PARTICIPATING NOTE

6.1. The SPA is conditional upon and shall be entered into concurrently with the Participating Note to be entered into by the Company and the Purchaser (collectively the **"Parties"**).

6.2. Pursuant to the Participating Note, the Purchaser shall keep records of the proceeds (the "**Proceeds**") from (i) any sale or disposal by the Purchaser of all (or any part) of its shareholding in KSR; and (ii) any sale or disposal by KSR of all (or any part) of its shareholding or assets in KS Distribution or the Target Group which results in a payment to the Purchaser, which is capital in nature, including dividends (in cash or kind) or repayment of equity (including capital reduction) to the Purchaser.

6.3. The Purchaser shall pay to the Company a participating sum (the "**Participating Sum**") on the portion of the Proceeds which exceeds S$79,500,000 (the "**Threshold Amount**") based on the following formula:

Participating Sum = [Portion of Proceeds which exceeds S$79,500,000] X 50.00% X 55.35%

6.4. The Participating Note shall be deemed to have fully matured and been fully redeemed upon the earlier of the (i) expiry of three (3) years from the date of the issuance of the Participating Note; or (ii) once the Purchaser has fully divested all its shareholding in KSR. It is envisaged that KSR will be the legal and beneficial owner of the entire issued share capital of KS Distribution.

7. RELATIVE FIGURES FOR THE PROPOSED DISPOSAL UNDER CHAPTER 10 OF THE SGX-ST LISTING MANUAL

7.1. The relative figures in relation to the Proposed Disposal are computed on the applicable bases set out in Rule 1006 of the listing manual of the Singapore Exchange Securities Trading Limited (the "**SGX-ST Listing Manual"**) based on the latest announced unaudited consolidated financial statements of the Group for the half year ended 30 June 2018 (being the latest announced consolidated financial statements of the Group).

7.2. For illustrative purposes only, the relative figures for the Proposed Disposal calculated in accordance with the bases set out in Rule 1006, are set out below:

Rule 1006	Bases	Relative Figures (%)
(a)	The net asset value of the assets to be disposed of [(1)], compared with the Group's net asset value of S$25,338,000.	(2.1)%
(b)	The net loss[(2)] attributable to the assets disposed of, compared with the Group's net loss of S$33,605,000 [(3)].	Not meaningful [(4)]
(c)	The aggregate value of the consideration received, compared with the Company's market capitalization based on the total number of issued shares excluding treasury shares.	8.4% [(5)]
(d)	The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable[(6)]
(e)	The aggregate volume or amount of proven and probable reserves to be disposed of, compared with the aggregate of the Group's proven and probable reserves.	Not applicable [(7)]

Notes:
(1) The net asset value attributable to the assets disposed of under the Proposed Disposal is S$(537,000).
(2) The net loss attributable to the assets disposed of under the Proposed Disposal is S$4,374,000.
(3) The unaudited net loss of the Group for the half year ended 30 June 2018 were S$33,605,000.
(4) Not meaningful as both the Group and the Target Group are loss-making.
(5) Based on the consideration of S$1,643,000 for the Proposed Disposal, and the Company's market capitalisation of approximately S$18.6 million. The Company's market capitalisation is determined by multiplying the number of ordinary shares (the "**Shares**") in issue (515,601,215) (excluding treasury shares) by the volume weighted average price of S$0.036 per Share on 18 October 2018, being the full market day immediately preceding the signing of the SPA.
(6) There will be no issuance of consideration shares in relation to the Proposed Disposal.
(7) The Company is not a mineral, oil or gas company.

7.3. Based on the above, as the relative figures exceed 5% but do not exceed 20%, the Proposed Disposal falls under the definition of a discloseable transaction under Rule 1010 of the SGX-ST Listing Manual, and therefore does not require the approval of shareholders of the Company.

8. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL

For illustrative purposes only, the financial effects of the Proposed Disposal on the net tangible assets per share and earnings per share of the Group based on the audited financial statements of the Group for the financial year ended 31 December 2017 are as follows, assuming that the internal reorganisation of the Group as announced on 19 October 2018 has not completed:

8.1. Effects on net tangible assets ("**NTA**")

Assuming the Proposed Disposal had been completed on 31 December 2017, the effect of the Proposed Disposal on the NTA of the Company is as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
Consolidated NTA attributable to the shareholders of the Company (S$)	52,205,000	50,130,000
Number of issued shares (excluding treasury shares)	515,601,215	515,601,125
Net tangible assets per share (Singapore cents)	10.1	9.7

Note:

(1) The consolidated NTA attributable to shareholders of the Company after the Proposed Disposal assumes a loss on disposal of S$2.1 million if completed on 31 December 2017.

8.2. Effects on earnings per Share ("**EPS**") or Loss per Share ("**LPS**")

Assuming the Proposed Disposal had been completed on 1 January 2017, the effect of the Proposed Disposal on the Company's EPS or LPS for FY2017 is as follows:

	Before the Proposed Disposal	**After the Proposed Disposal**
Net profit attributable to shareholders after tax (S$)	(18,295,000)	(17,499,000)
Weighted average number of issued shares (excluding treasury shares)	515,601,215	515,601,215
EPS/(LPS) (Singapore cents)	(3.5)	(3.4)

Note:

(1) The net profit attributable to shareholders of the Company after the Proposed Disposal assumes a loss on disposal of S$6.1 million if completed on 1 January 2017.

Please note that the above financial figures are for illustrative purposes only and do not necessarily reflect the actual results and financial performance and position of the Group

after the Proposed Disposal. No representation is made as to the actual financial position and/or results of the Company after completion of the Proposed Disposal.

9. INTERESTS OF THE DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this announcement, none of the Directors or controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Proposed Disposal (other than in their capacity as Directors or Shareholders of the Company).

10. SERVICE AGREEMENT

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal. As such, no service agreements will be entered into with the Directors or controlling shareholders of the Company or their respective associates in connection with the Proposed Disposal.

11. CAUTIONARY IN TRADING

Shareholders and potential investors are reminded to exercise caution when dealing in the securities of the Company. In particular, shareholders and potential investors should note that there is no assurance that any business activities or transactions mentioned in this announcement will materialise. Persons who are in doubt as to the action they should take should consult their stockbrokers, bank managers, solicitors or other professional advisors.

12. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Disposal, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

13. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the SPA and the Participating Note will be made available for inspection during normal business hours at the registered office of the Company for three (3) months from the date of this announcement.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Lai Kuan Loong Victor
Company Secretary
19 October 2018

For more information on KS Energy Limited, please visit our website at www.ksenergy.com.sg