**KS ENERGY LIMITED**
*An Integrated Energy Services Hub*
(Company Registration No. 198300104G)

# Financial Statement and Dividend Announcement for the Period Ended 30 June 2017

## 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 (2nd Quarter) 3 months ended | | | Group (Year-to-date) 6 months ended | | |
|---|---|---|---|---|---|---|
| | 30.06.2017 | 30.06.2016 | Increase/ (Decrease) | 30.06.2017 | 30.06.2016 | Increase/ (Decrease) |
| | $'000 | $'000 | | $'000 | $'000 | |
| Revenue | 15,081 | 12,866 | 17.2% | 20,837 | 21,715 | (4.0%) |
| Cost of sales | (17,958) | (17,858) | 0.6% | (30,582) | (37,982) | (19.5%) |
| **Gross loss** | **(2,877)** | **(4,992)** | **(42.4%)** | **(9,745)** | **(16,267)** | **(40.1%)** |
| Other income | 824 | 44 | 1772.7% | 1,512 | 217 | 596.8% |
| Administrative expenses | (4,883) | (5,546) | (12.0%) | (9,449) | (10,829) | (12.7%) |
| Other operating expenses | (7,258) | (16,017) | (54.7%) | (10,626) | (17,660) | (39.8%) |
| **Results from operating activities** | **(14,194)** | **(26,511)** | **(46.5%)** | **(28,308)** | **(44,539)** | **(36.4%)** |
| Finance income | 1,582 | 1,463 | 8.1% | 3,162 | 2,786 | 13.5% |
| Finance costs | (4,611) | (5,026) | (8.3%) | (9,148) | (10,175) | (10.1%) |
| Share of results of joint ventures (net of tax) | 17,777 | (4,923) | N/M | 14,753 | (11,048) | N/M |
| **Profit/(Loss) before tax** | **554** | **(34,997)** | N/M | **(19,541)** | **(62,976)** | (69.0%) |
| Income tax (expense)/ credit | (131) | (246) | (46.7%) | 12 | (482) | N/M |
| **Profit/(Loss) for the period** | **423** | **(35,243)** | (101.2%) | **(19,529)** | **(63,458)** | (69.2%) |
| Results attributable to: | | | | | | |
| **Owners of the Company** | **(552)** | **(31,453)** | N/M | **(17,426)** | **(55,189)** | (68.4%) |
| Non-controlling interests | 975 | (3,790) | N/M | (2,103) | (8,269) | (74.6%) |
| **Profit/(Loss) for the period** | **423** | **(35,243)** | N/M | **(19,529)** | **(63,458)** | (69.2%) |

*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):-

| | Group (2nd quarter) 3 months ended | | | Group (Year-to-date) 6 months ended | | |
|---|---|---|---|---|---|---|
| | 30.06.2017 | 30.06.2016 | Increase/ (Decrease) | 30.06.2017 | 30.06.2016 | Increase/ (Decrease) |
| | $'000 | $'000 | | $'000 | $'000 | |
| Amortisation of intangible assets | (48) | (56) | (14.3%) | (98) | (114) | (14.0%) |
| Depreciation of plant and equipment | (7,005) | (7,638) | (8.3%) | (14,200) | (17,215) | (17.5%) |
| Additional write down of assets held for sale | (1,811) | (1,441) | N/M | (1,811) | (1,441) | 25.7% |
| Finance costs on convertible bonds | (1,485) | (1,522) | (2.4%) | (2,965) | (3,288) | (9.8%) |
| Interest expense on loans | (3,126) | (3,504) | (10.8%) | (6,183) | (6,887) | (10.2%) |
| Impairment loss on loan to a joint venture | (2,993) | - | N/M | (6,024) | - | N/M |
| Foreign exchange gain/(loss) (net) | 810 | (354) | N/M | 1,491 | (230) | N/M |
| Loss on disposal of plant and equipment | (2,125) | (13,073) | (83.7%) | (2,125) | (13,073) | (83.7%) |
| Plant and equipment provision written back | - | 1 | N/M | - | - | N/M |
| Loss on liquidation of subsidiaries | - | (431) | N/M | - | (431) | N/M |
| Adjustments for over or (under) provision of tax in respect of prior years | 121 | - | N/M | 476 | (90) | 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.

| | Group | | Company | |
|---|---|---|---|---|
| | 30.06.2017 | 31.12.2016 | 30.06.2017 | 31.12.2016 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current Assets** | | | | |
| Cash and cash equivalents | 13,952 | 8,754 | 2,504 | 290 |
| Amounts due from subsidiaries | - | - | 124 | 222 |
| Amounts due from joint ventures | 2 | 1 | 1 | - |
| Trade receivables | 11,955 | 8,289 | - | - |
| Contract work in progress | 113 | 20 | - | - |
| Inventories | 229 | 240 | - | - |
| Other assets | 13,109 | 16,763 | 87 | 76 |
| Assets held for sale | 688 | 2,604 | - | - |
| | **40,048** | **36,671** | **2,716** | **588** |
| **Non-Current Assets** | | | | |
| Joint ventures | 37,000 | 42,780 | 37,000 | 42,780 |
| Amounts due from joint ventures | 51,493 | 35,677 | - | - |
| Subsidiaries | - | - | 109,800 | 122,297 |
| Plant and equipment | 410,098 | 448,446 | 223 | 333 |
| Intangible assets and goodwill | 211 | 320 | - | - |
| Other assets | 936 | 968 | 301 | 301 |
| Deferred tax assets | 1,166 | 1,225 | - | - |
| | **500,904** | **529,416** | **147,324** | **165,711** |
| **Total assets** | **540,952** | **566,087** | **150,040** | **166,299** |
| **Current Liabilities** | | | | |
| Bank overdrafts | 4,193 | 3,434 | - | - |
| Trade and other payables | 32,118 | 25,966 | 4,939 | 3,430 |
| Amounts due to joint venture | 79 | 44 | 74 | 32 |
| Amounts due to subsidiaries | - | - | 19,057 | 20,529 |
| Provision for current tax | 9,360 | 9,880 | 1,182 | 1,182 |
| Financial liabilities | 85,149 | 85,544 | 76,029 | 74,862 |
| | **130,899** | **124,868** | **101,281** | **100,035** |
| **Non-Current Liabilities** | | | | |
| Trade and other payables | 516 | 540 | - | - |
| Amounts due to subsidiaries | - | - | - | - |
| Financial liabilities | 338,934 | 343,124 | 5,000 | - |
| Deferred tax liabilities | 12 | 12 | - | - |
| Provision for loss from joint ventures | 9,989 | 10,496 | - | - |
| | **349,451** | **354,172** | **5,000** | **-** |
| **Total liabilities** | **480,350** | **479,040** | **106,281** | **100,035** |
| **Net assets** | **60,602** | **87,047** | **43,759** | **66,264** |
| **Equity Attributable to Owners of the Company:** | | | | |
| Share capital | 359,973 | 359,973 | 359,973 | 359,973 |
| Equity reserve | 17,685 | 17,685 | 17,685 | 17,685 |
| Treasury shares | (26,365) | (26,365) | (26,365) | (26,365) |
| Foreign currency translation reserve | (14,639) | (9,045) | - | - |
| Other reserve | (3,750) | (3,750) | - | - |
| Accumulated losses | (298,948) | (281,522) | (307,534) | (285,029) |
| | **33,956** | **56,976** | **43,759** | **66,264** |
| Non-controlling interests | 26,646 | 30,071 | - | - |
| **Total equity** | **60,602** | **87,047** | **43,759** | **66,264** |

*See paragraph 8 for more explanation on the balance sheet review*

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

| Amount repayable in one year or less, or on demand | Group 30.06.2017 | Group 31.12.2016 |
|---|---|---|
| | $'000 | $'000 |
| Secured | 8,926 | 10,682 |
| Unsecured | 76,223 | 74,862 |
| Total | 85,149 | 85,544 |

| Amount repayable after one year | Group 30.06.2017 | Group 31.12.2016 |
|---|---|---|
| | $'000 | $'000 |
| Secured | 328,933 | 343,124 |
| Unsecured | 10,001 | - |
| Total | 338,934 | 343,124 |

| Amount repayable in total | Group 30.06.2017 | Group 31.12.2016 |
|---|---|---|
| | $'000 | $'000 |
| Secured | 337,859 | 353,806 |
| Unsecured | 86,224 | 74,862 |
| Total | 424,083 | 428,668 |

Included in unsecured loans repayable within one year as at 30 June 2017 is an amount of $13,268,000 relating to loans from related parties (31 December 2016: $13,302,000).

**Details of the collaterals:**

Secured borrowings are generally bank loans secured on plant and equipment and pledge of cash deposits in the borrowing companies. Unsecured borrowings include convertible bonds issued by the Company.

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

| | Group (6 months ended) | |
|---|---|---|
| | 30.06.2017 | 30.06.2016 |
| **Operating activities** | $'000 | $'000 |
| Loss before tax | (19,541) | (62,976) |
| Adjustments for: | | |
| Amortisation of intangible assets | 98 | 114 |
| Depreciation of plant and equipment | 14,200 | 17,215 |
| Impairment loss on loan to a joint venture | 6,024 | - |
| Loss on disposal of plant and equipment | 2,125 | 13,073 |
| Loss on liquidation of subsidiaries | - | 431 |
| Additional write down of assets held for sale | 1,811 | 1,441 |
| Interest income | (3,162) | (2,786) |
| Interest expense | 6,183 | 6,887 |
| Finance cost on convertible bonds | 2,965 | 3,288 |
| Share of results of joint ventures | (14,753) | 11,048 |
| Operating loss before changes in working capital | (4,050) | (12,265) |
| Changes in working capital: | | |
| Inventories and contract work in progress | (93) | 684 |
| Trade receivables | (4,445) | 6,438 |
| Other current assets | 2,684 | 2,394 |
| Trade and other payables | 5,111 | (1,081) |
| Cash used in operations | (793) | (3,830) |
| Tax paid | (321) | (1,903) |
| **Cash flows used in operating activities** | **(1,114)** | **(5,733)** |
| **Investing activities** | | |
| Increase in non-trade net receivables with joint ventures and related parties | (321) | (29,564) |
| Interest received | 23 | 172 |
| Payments for purchase of plant and equipment | (447) | (859) |
| Proceeds from disposal of plant and equipment | 1,231 | 1,089 |
| Refund of deposit paid | - | 6,720 |
| Payments for purchase of intangible assets | - | (9) |
| **Cash flows generated from/(used in) investing activities** | **486** | **(22,451)** |
| **Financing activities** | | |
| Loans from related parties | 394 | 12,985 |
| Repayment of loan from related parties | (200) | - |
| Repayment of bills payable to bank | - | (814) |
| Decrease in deposits pledged | 1,333 | 1,198 |
| Interest paid on borrowings | (3,929) | (5,263) |
| Interest paid on convertible bonds | - | (1,503) |
| Proceeds from bank loans | 10,000 | 63,108 |
| Repayment of bank loans | (830) | (43,446) |
| Repayment of transaction costs | (42) | - |
| **Cash flows generated from financing activities** | **6,726** | **26,265** |
| **Net increase/(decrease) in cash and cash equivalents** | **6,098** | **(1,919)** |
| Cash and cash equivalents at beginning of the period | 2,408 | 15,869 |
| Effect of exchange rate changes on balances held in foreign currencies | (326) | 1,276 |
| **Cash and cash equivalents at end of the period** | **8,180** | **15,226** |
| **Cash and cash equivalents at end of the period includes the following:** | | |
| Cash and cash equivalents (net of bank overdraft) | 9,759 | 17,581 |
| Deposits pledged | (1,579) | (2,355) |
| **Cash and cash equivalents at end of the period** | **8,180** | **15,226** |

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

## 1(d) Statement of Comprehensive Income

| | Group (Year-to-date) 6 months ended | | |
|---|---|---|---|
| | 30.06.2017 $'000 | 30.06.2016 $'000 | Increase/ (Decrease) % |
| **Loss attributable to:** | | | |
| Owners of the Company | (17,426) | (55,189) | (68.4) |
| Non-controlling interests | (2,103) | (8,269) | (74.6) |
| **Loss for the period** | **(19,529)** | **(63,458)** | (69.2) |
| | | | |
| **Other comprehensive expense for the period:** | | | |
| Foreign currency translation differences on translation of financial statements of foreign subsidiaries | (6,916) | (8,763) | (21.1) |
| **Other comprehensive expense for the period** | **(6,916)** | **(8,763)** | (21.1) |
| **Total comprehensive expense for the period** | **(26,445)** | **(72,221)** | (63.4) |
| | | | |
| **Total comprehensive expense attributable to:** | | | |
| Owners of the Company | (23,020) | (62,025) | (62.9) |
| Non-controlling interests | (3,425) | (10,196) | (66.4) |
| **Total comprehensive expense for the period** | **(26,445)** | **(72,221)** | (63.4) |

**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 | Equity reserve | Treasury shares | Foreign currency translation reserve | Other reserve | Accumulated losses | Total attributable to owners of the Company | Non-controlling Interests | Total Equity |
|---|---|---|---|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 1 January 2017** | 359,973 | 17,685 | (26,365) | (9,045) | (3,750) | (281,522) | 56,976 | 30,071 | 87,047 |
| Loss for the period | - | - | - | - | - | (17,426) | (17,426) | (2,103) | (19,529) |
| **Other comprehensive expense** | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations | - | - | - | (5,594) | - | - | (5,594) | (1,322) | (6,916) |
| Total other comprehensive expense | - | - | - | (5,594) | - | - | (5,594) | (1,322) | (6,916) |
| **Total comprehensive expense for the period** | **-** | **-** | **-** | **(5,594)** | **-** | **(17,426)** | **(23,020)** | **(3,425)** | **(26,445)** |
| **At 30 June 2017** | **359,973** | **17,685** | **(26,365)** | **(14,639)** | **(3,750)** | **(298,948)** | **33,956** | **26,646** | **60,602** |
| **At 1 January 2016** | 359,973 | 17,685 | (26,365) | (11,238) | (3,750) | (174,095) | 162,210 | 48,564 | 210,774 |
| Loss for the period | - | - | - | - | - | (55,189) | (55,189) | (8,269) | (63,458) |
| **Other comprehensive expense** | | | | | | | | | |
| Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations | - | - | - | (6,836) | - | - | (6,836) | (1,927) | (8,763) |
| Total other comprehensive expense | - | - | - | (6,836) | - | - | (6,836) | (1,927) | (8,763) |
| **Total comprehensive expense for the period** | **-** | **-** | **-** | **(6,836)** | **-** | **(55,189)** | **(62,025)** | **(10,196)** | **(72,221)** |
| **At 30 June 2016** | **359,973** | **17,685** | **(26,365)** | **(18,074)** | **(3,750)** | **(229,284)** | **100,185** | **38,368** | **138,553** |

| **Company** | Share capital | Equity reserve | Treasury shares | Accumulated losses | Total Equity |
|---|---|---|---|---|---|
| | $'000 | $'000 | $'000 | $'000 | $'000 |
| **At 1 January 2017** | 359,973 | 17,685 | (26,365) | (285,029) | 66,264 |
| Loss for the period | - | - | - | (22,505) | (22,505) |
| **Total comprehensive expense for the period** | **-** | **-** | **-** | **(22,505)** | **(22,505)** |
| **At 30 June 2017** | **359,973** | **17,685** | **(26,365)** | **(307,534)** | **43,759** |
| **At 1 January 2016** | 359,973 | 17,685 | (26,365) | (192,043) | 159,250 |
| Loss for the period | - | - | - | (45,549) | (45,549) |
| **Total comprehensive expense for the** | **-** | **-** | **-** | **(45,549)** | **(45,549)** |
| **At 30 June 2016** | **359,973** | **17,685** | **(26,365)** | **(237,592)** | **113,701** |

**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.**

There was no change in the Company's issued and paid-up capital for the period from 1 January 2017 to 30 June 2017. The Company did not have any subsidiary holdings as at 30 June 2017 (31 December 2016: Nil).

As at 30 June 2017 and 31 December 2016, 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

On 21 March 2013, the Company issued $45 million of 6.0% convertible bonds with an original maturity in March 2016 (the "2013 Bonds"). As at 30 June 2017, the Company had $45 million face value of 2013 Bonds outstanding which are convertible into 54,216,720 fully-paid ordinary shares of the Company at a conversion price of $0.83 per new share. On 15 March 2016, 20 June 2016, 21 September 2016, 21 December 2016, 21 March 2017 and 21 June 2017, the Company announced that it had entered into supplemental trust deeds relating to the 2013 Bonds pursuant to which the maturity date of the 2013 Bonds had been extended to 21 September 2017 and the redemption price payable on the amended maturity date, unless previously redeemed, converted or purchased and cancelled, had been increased to 123.10% of the face value. The Company is finalising an agreement relating to the 2013 Bonds pursuant to which the Company shall repurchase and cancel all the 2013 Bonds (see the announcement by the Company dated 01 August 2017).

On 19 November 2015, the Company issued $7.5 million of 6.0% convertible bonds with a maturity in September 2016 (the "2015 Bonds"). The Company is finalising an agreement relating to the 2015 Bonds pursuant to which the Company shall repurchase and cancel all the 2015 Bonds (see the announcement by the Company dated 01 August 2017). As at 30 June 2017, the Company had $7.5 million face value of 2015 Bonds outstanding which are convertible into 26,785,710 fully-paid ordinary shares of the Company at a conversion price of $0.28 per new share.

As at 30 June 2017 and 31 December 2016, the convertible bonds outstanding are convertible into 81,002,430 fully-paid ordinary shares of the Company.

KS Energy Performance Share Plan (the “Plan”)

As at 30 June 2017, 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 30 June 2017 and 31 December 2016, 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 30 June 2017 (30 June 2016: 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 30 June 2017 (30 June 2016: 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 2016.

**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.**

In the current financial period, the Group adopted all the applicable new and revised Singapore Financial Reporting Standards ("FRSs") and related Interpretations ("INT FRSs") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2017. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group’s accounting policies and has no material effect on the 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.**

| | 3 months ended 30.06.2017 | 3 months ended 30.06.2016 | 6 months ended 30.06.2017 | 6 months ended 30.06.2016 |
|---|---|---|---|---|
| Loss per share attributable to owners of the Group: | | | | |
| (a) Based on weighted average number of ordinary shares in issue (cents per share) | (0.11) | (6.10) | (3.38) | (10.70) |
| - Weighted average number of shares | 515,601,215 | 515,601,215 | 515,601,215 | 515,601,215 |
| (b) On a fully diluted basis (cents per share) | (0.11) | (6.10) | (3.38) | (10.70) |
| - Weighted average number of shares | 515,601,215 | 515,601,215 | 515,601,215 | 515,601,215 |

The basic and diluted earnings per share for the three months ended 30 June 2017 was calculated by dividing the loss attributable to shareholders of $552,000 (30.06.2016: loss attributable to shareholders of $31,453,000) by the weighted average number of shares in issue during the financial period.

The basic and diluted earnings per share for the six months ended 30 June 2017 was calculated by dividing the loss attributable to shareholders of $17,426,000 (30.06.2016: $55,189,000) by the weighted average number of shares in issue during the financial period.

**The earnings per share computations have taken into consideration the following:**

The diluted earnings per share computations have not taken into consideration the effects of outstanding convertible bonds as they are anti-dilutive pursuant to para 41 of FRS 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**

| | Group 30.06.2017 | Group 31.12.2016 | Company 30.06.2017 | Company 31.12.2016 |
|---|---|---|---|---|
| | 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 | 6.6 | 11.1 | 8.5 | 12.9 |

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 30 June 2017 (31.12.2016: 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 30 June 2017**

| | Group (2nd Quarter) 3 months ended | | | Group (Year-to-date) 6 months ended | | |
|---|---|---|---|---|---|---|
| | 30.06.2017 | 30.06.2016 | Change | 30.06.2017 | 30.06.2016 | Change |
| **Revenue by segment** | $'000 | $'000 | | $'000 | $'000 | |
| Drilling | 15,030 | 10,374 | 44.9% | 20,712 | 17,758 | 16.6% |
| Engineering | 51 | 2,492 | (98.0%) | 125 | 3,957 | (96.8%) |
| | **15,081** | **12,866** | **17.2%** | **20,837** | **21,715** | **(4.0%)** |

**Overview**

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

**Results for the three months ended 30 June 2017 ("Q2 2017")**

Consolidated revenue was $15.1 million for Q2 2017, an increase of $2.2 million, or 17.2%, above that of $12.9 million for the three months ended 30 June 2016 ("Q2 2016") mainly due to higher revenue from the Drilling segment which more than offset the lower revenue from the Engineering segment.

Consolidated profit after tax was $0.4 million for Q2 2017 as compared to the consolidated loss after tax of $35.2 million for Q2 2016. The improvement was mainly due to:

i. the smaller loss from operating activities which reduced by $12.3 million as a result of the smaller loss on disposal of plant and equipment recorded in Q2 2017 of $2.1 million, compared to the loss recorded in Q2 2016 of $13.1 million;
ii. the improved share of results of joint ventures which recorded a gain of $17.8 million in Q2 2017 compared to a loss of $4.9 million in Q2 2016, mainly due to a $20.5 million gain recorded in Q2 2017 following a court ruling (see the announcement by the Company dated 13 July 2017); and
iii. the $0.5 million quarter-on-quarter reduction in net finance costs

**Results for the six months ended 30 June 2017 ("6M 2017")**

Consolidated revenue was $20.8 million in 6M 2017, a decrease of $0.9 million, or 4.0%, below that of $21.7 million reported for the six months ended 30 June 2016 ("6M 2016") mainly due to the lower revenue from the Engineering business.

Consolidated loss after tax was $19.5 million for 6M 2017 compared to the consolidated loss after tax of $63.5 million reported for 6M 2016. The improvement was mainly due to:

i. the smaller loss from operating activities which reduced by $16.2 million mainly due to the smaller loss on disposal of plant and equipment recorded in 6M 2017 of $2.1 million, compared to the loss recorded in 6M 2016 of $13.1 million;

ii. the improved share of results of joint ventures which recorded a gain of $14.8 million in 6M 2017 compared to a loss of $11.0 million in 6M 2016, mainly due to a $20.5 million gain recorded in Q2 2017 following a court ruling (see the announcement by the Company dated 13 July 2017); and
iii. the $1.5 million reduction in net finance costs

**Revenue**

Revenue from the Drilling business increased $4.6 million, or 44.9%, from $10.4 million for Q2 2016 to $15.0 million for Q2 2017 and increased $2.9 million, or 16.6%, from $17.8 million for 6M 2016 to $20.7 million for 6M 2017. The higher revenue resulted from higher fleet utilisation following the award of a number of charter contracts so far in 2017. Revenue contribution from the Drilling business made up about 99.7% of the Group's consolidated revenue for Q2 2017 and 99.4% for 6M 2017.

Revenue from the Engineering business decreased $2.4 million, or 98.0%, from $2.5 million for Q2 2016 to $0.1 million for Q2 2017 and decreased $3.9 million, or 96.8% from $4.0 million for 6M 2016 to $0.1 million for 6M 2017. The lower revenue resulted from the completion of projects during FY2016 and a lack of new project awards during FY2017. Revenue contribution from the Engineering business made up about 0.3% of the Group's consolidated revenue for Q2 2017 and 0.6% for 6M 2017.

**Gross Loss**

The gross loss of $2.9 million for Q2 2017 was 42.4% smaller than the gross loss of $5.0 million reported for Q2 2016. The smaller gross loss in Q2 2017 was the net result of a $0.1 million increase in cost of sales and a $2.2 million increase in revenue. Included in cost of sales are certain fixed costs associated with our fleet of rigs such as depreciation charges which decreased from $7.4 million in Q2 2016 to $6.8 million in Q2 2017. The lower depreciation charge in Q2 2017 was mainly due to the disposal of plant and equipment in FY2016.

The gross loss margin decreased from 38.8% in Q2 2016 to 19.1% in Q2 2017.

The gross loss of $9.7 million for 6M 2017 was 40.1% smaller than the gross loss of $16.3 million reported for 6M 2016. The smaller gross loss in Q2 2017 was the net result of a $7.4 million decrease in cost of sales and a $0.9 million decrease in revenue. Included in cost of sales are certain fixed costs associated with our fleet of rigs such as depreciation which decreased from $16.7 million in 6M 2016 to $13.9 million in 6M 2017. The lower depreciation charge in 6M 2017 was mainly due to the disposal of plant and equipment in FY2016.

The gross loss margin decreased from 74.9% in 6M 2016 to 46.8% in 6M 2017.

**Other Income**

Other income increased from $0.04 million for Q2 2016 to $0.8 million for Q2 2017 and from $0.2 million for 6M 2016 to $1.5 million for 6M 2017. Other income mainly comprised foreign exchange gains and other income not directly related to the revenue generated from our day-to-day operations.

**Operating Expenses**

Administrative expenses decreased $0.6 million from $5.5 million in Q2 2016 to $4.9 million in Q2 2017 mainly due to reduced staff costs. Similarly, administrative expenses decreased $1.4 million from $10.8 million in 6M 2016 to $9.4 million in 6M 2017 for the same reason.

Other operating expenses decreased by $8.7 million from $16.0 million in Q2 2016 to $7.3 million in Q2 2017 mainly due to the smaller loss on disposal of plant and equipment in Q2 2017 of $2.1 million compared to the loss in Q2 2016 of $13.1 million and the impairment loss on loans to a joint venture in Q2 2017 of $3.0 million. Other operating expenses decreased $7.1 million from $17.7 million in 6M 2016 to $10.6 million in 6M 2017 for the same reasons.

**Finance Income and Costs**

Finance income increased from $1.5 million in Q2 2016 to $1.6 million in Q2 2017 and increased from $2.8 million in 6M 2016 to $3.2 million in 6M 2017. The finance income is mainly derived from interest income on loans provided to a joint venture.

Finance costs decreased from $5.0 million in Q2 2016 to $4.6 million in Q2 2017 and decreased $1.1 million from $10.2 million in 6M 2016 to $9.1 million in 6M 2017 due to lower overall interest rates.

**Share of results of Joint Ventures**

The Group's share of results of joint ventures was a profit of $17.8 million for Q2 2017 which was $22.7 million higher than the loss of $4.9 million reported for Q2 2016. The improvement was mainly due to a $20.5 million gain recorded from a joint venture following a court ruling that import duty had been previously overpaid. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group") declined by $2.0 million from a loss of $0.8 million for Q2 2016 to a loss of $2.8 million for Q2 2017.

The Group's share of results from joint ventures increased $25.8 million from a $11.0 million loss for 6M 2016 to an $14.8 million profit for 6M 2017. The improvement was mainly due to a $20.5 million gain recorded from a joint venture following a court ruling (see the announcement by the Company dated 13 July 2017). The Group's share of results from the KS Distribution Group declined by $3.1 million from a loss of $2.7 million for 6M 2016 to a loss of $5.8 million for 6M 2017.

**Tax expense**

The tax expense decreased from a tax expense of $0.2 million in Q2 2016 to a tax expense of $0.1 million in Q2 2017 and also decreased from an expense of $0.5 million in 6M 2016 to a credit of $0.01 in 6M 2017.

**Result Attributable to Shareholders**

The result attributable to the owners of the Group was a loss of $0.6 million for Q2 2017 which was $30.9 million higher than the loss of $31.5 million reported for Q2 2016.

The result attributable to the owners of the Group was a loss of $17.4 million for 6M 2017 which was $37.8 million higher than the loss of $55.2 million reported for 6M 2016.

**STATEMENT OF FINANCIAL POSITION REVIEW**

The Group's total non-current assets decreased from $529.4 million as at 31 December 2016 to $500.9 million as at 30 June 2017. Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet decreased from $376.4 million as at 31 December 2016 to $344.7 million as at 30 June 2017, due to depreciation charges and foreign exchange impacts.

The carrying value of joint ventures decreased 13.6% from $42.8 million as at 31 December 2016 to $37.0 million as at 31 June 2017 mainly due to the Group's share of results from the joint ventures. Joint ventures comprise the 55.35% equity interest in the KS Distribution Group, with a carrying amount of $37.0 million as at 30 June 2017.

Within non-current assets, amounts due from joint ventures increased by $15.8 million to $51.5 million as at 30 June 2017 from $35.7 million as at 31 December 2016. The increase is mainly due to a $20.5 million gain recorded by a joint venture following a court ruling (see the announcement by the Company dated 13 July 2017).

Total current assets increased 9.0% from $36.7 million as at 31 December 2016 to $40.0 million as at 30 June 2017. The increase in current assets was mainly due to higher cash and cash equivalents and trade receivables, offset by lower other assets. Cash and cash equivalents increased $5.2 million from $8.8 million as at 31 December 2016 to $14.0 million as at 30 June 2017. Other assets decreased $3.7 million from $16.8 million as at 31 December 2016 to $13.1 million as at 30 June 2017. Trade receivables increased $3.7 million from $8.3 million as at 31 December 2016 to $12.0 million as at 30 June 2017 due to the commencement of new charter contracts.

The carrying value of assets held for sale as at 30 June 2017 was $0.7 million (31 December 2016: $2.6 million) and relates to a drilling rig which is currently being marketed for sale.

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

| | 30.06.2017 $'000 | 31.12.2016 $'000 | Movement $'000 |
|---|---|---|---|
| **Detailed breakdown:** | | | |
| Sundry deposits | **555** | 210 | 345 |
| Withholding tax recoverable | **3,226** | 3,892 | (666) |
| Value-added tax receivable | **4,056** | 8,359 | (4,303) |
| Deferred operating expenses | **3,413** | 2,396 | 1,017 |
| Other debtors | **559** | 1,289 | (730) |
| Advanced payment to supplier | **684** | - | 684 |
| Prepayments | **616** | 617 | (1) |
| **Other Current Assets** | **13,109** | **16,763** | **(3,654)** |

The decrease in other current assets was mainly due to lower amounts under "value-added tax receivable", "other debtors", "withholding tax recoverable" and "prepayments" offset by the higher amounts of "deferred operating expenses", "advanced payment to supplier" and "sundry deposits" as at 30 June 2017 compared to 31 December 2016. These balances mainly originate from our Drilling business and are routine in nature.

Total liabilities increased $1.4 million, or 0.3%, from $479.0 million as at 31 December 2016 to $480.4 million as at 30 June 2017. This was principally attributable to a $6.1 million increase in trade and other payables from $26.5 million as at 31 December 2016 to $32.6 million as at 30 June 2017 which was offset by the $4.6 million decrease in total borrowings from $428.6 million as at 31 December 2016 to $424.0 million as at 30 June 2017.

Within current liabilities, amounts due to joint ventures increased from $0.0 million as at 31 December 2016 to $0.1 million as at 30 June 2017 and the bank overdraft increased $0.8 million from $3.4 million as at 31 December 2016 to $4.2 million as at 30 June 2017.

As at 30 June 2017, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $90.9 million and $98.6 million respectively. As at 31 December 2016, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $88.2 million and $99.4 million respectively.

Improving the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the period ended 30 June 2017 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 (i) the Group's operating activities, (ii) asset divestment plans and (iii) other financing plans.

i. 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 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.

ii. Assets divestment plans

The Group plans to divest certain non-core assets.

iii. Financing plans

The Company is currently finalising agreements with its bondholders and a shareholder to repurchase the 2013 Bonds and the 2015 Bonds with a combined outstanding value of $63.0 million and shareholder loans with an outstanding value of $13.1 million and issue a new secured fixed rate bond due in 2020 (see the announcement by the Company dated 01 August 2017).

The Group has a capital commitment of $260.5 million for an asset under construction due on 31 December 2018 and a capital commitment of $233.0 million for an asset under construction due on 31 December 2019. The Group plans to seek the necessary financing closer to the date of delivery and is expected to have sufficient resources to meet the capital commitments of the Group.

Secured current borrowings decreased $1.8 million from $10.7 million as at 31 December 2016 to $8.9 million as at 30 June 2017 whereas secured non-current borrowings decreased $14.2 million from $343.1 million as at 31 December 2016 to $328.9 million as at 30 June 2017. The net decrease in secured borrowings was mainly due to changes in foreign exchange rates as the secured borrowings are denominated in foreign currencies.

Unsecured current borrowings increased from $74.9 million as at 31 December 2016 to $76.2 million as at 30 June 2017. Included within unsecured current borrowings as at 30 June 2017 is an amount of $63.0 million in respect of the 2013 Bonds and the 2015 Bonds; plus $13.3 million of loans from related parties.

Unsecured non-current borrowings increased from $0.0 million as at 31 December 2016 to $10.0 million as at 30 June 2017 due to the drawdown of additional credit facilities during 6M 2017.

## STATEMENT OF CASH FLOWS REVIEW

As at 30 June 2017, cash and cash equivalents less the bank overdraft amounted to $9.8 million (30 June 2016: $17.6 million), of which unpledged cash and cash equivalents amounted to $8.2 million (30 June 2016: $15.2 million).

### Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of $1.1 million for the six months ended 30 June 2017. The net cash outflow due to operating activities comprised a cash outflow of $4.0 million arising due to an operating loss before changes in working capital; a cash inflow of $3.3 million arising due to changes in working capital, driven mainly by the $3.5 million drop in value-added tax receivable following the receipt of certain amounts due to our operations in Indonesia; and a cash outflow of $0.3 million arising due to income taxes paid.

### Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an inflow of $0.5 million for the six months ended 30 June 2017. This was attributable mainly to the proceeds from disposal of plant and equipment which generated a cash inflow of $1.2 million, an increase in non-trade receivables from joint ventures and related parties which incurred a cash outflow of $0.3 million and the purchase of plant and equipment which incurred a cash outflow of $0.4 million.

### Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an inflow of $6.7 million for the six months ended 30 June 2017. The aggregate repayment of bank loans during 6M 2017 amounted to $0.8 million and the aggregate proceeds from new bank loans entered into during 6M 2017 totalled $10.0 million. A net cash inflow of $0.2 million was generated from the execution of loans from related parties. Interest paid during 6M 2017 generated a cash outflow of $3.9 million. The reduction of deposits pledged generated a cash inflow of $1.3 million during 6M 2017.

**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 Q2 2017 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 12 May 2017.

**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 outlook for the offshore services sector continues to be affected by the uncertainty of oil prices which has reduced the demand for the rigs and related services. However, the Group believes the long term economic fundamentals remain supportive for oil and gas services. The Group seeks to manage our balance sheet to improve its financial position.

**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/recommended, a statement to that effect**

No dividend has been declared or recommended for the current financial reporting period.

## 13. Interested persons transactions

The Group has the following interested person transactions ("IPT") for the first six months of the financial year ended 30 June 2017:

| 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) |
|---|---|---|
| • Interest on loan from Pacific One Energy Limited | SGD 266,866 | |
| **PT KS Drilling Indonesia and its subsidiaries ("JVC Group")** | | |
| • Expected additional interest income on Additional Loan [(1)] | SGD 1,168,594 | |
| • Expected additional interest income on Financing [(2)] | | SGD 3,562,016 |
| • Injection of shareholders' loans pursuant to the Financing provided by KS Drilling to JVC Group [(2)] | | SGD 287,061 |
| *Additional information pursuant to the JVC IPT Mandate:* | | |
| • *Injection of funds by KS Drilling to JVC Group* | | *USD 258,230* |
| • *Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of the period* [(1)] | *USD 15,631,083* | |
| • *Total outstanding amount due from JVC Group for rig management fees and other services as at the end of the period* | *USD 514,348* | |
| • *Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period* [(2)] | | *USD 44,106,268* |

(1) 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 30 June 2017 was US$14.2 million.

(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 27 April 2017, 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 30 June 2017 was US$37.7 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$37.7 million balance is US$0.3 million that has been advanced during the current financial year to 30 June 2017.

## 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**
**14 August 2017**

**KS ENERGY LIMITED**
*An Integrated Energy Services Hub*
(Company Registration No. 198300104G)

## 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 30 June 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

| | |
|---|---|
| **KRIS TAENAR WILUAN**<br>**Executive Chairman and Chief Executive Officer** | **SOH GIM TEIK**<br>**Director** |

Singapore, 14 August 2017