KS ENERGY LIMITED
An Integrated Energy Services Hub

(Company Registration No. 198300104G)

Financial Statement and Dividend Announcement for the Year Ended 31 December 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.

	Note	Group 31.12.2017	Group 31.12.2016	Increase/ (Decrease)
		$'000	$'000	
Revenue		47,144	35,091	34.3%
Cost of sales		(66,665)	(64,300)	3.7%
Gross loss		**(19,521)**	**(29,209)**	(33.2%)
Other income	1	11,498	4,765	141.3%
Administrative expenses		(18,580)	(19,398)	(4.2%)
Other operating expenses	2	(19,537)	(60,592)	(67.8%)
Results from operating activities		**(46,140)**	**(104,434)**	(55.8%)
Finance income	3	23,292	5,804	301.3%
Finance costs		(18,771)	(16,815)	11.6%
Share of results of joint ventures (net of tax)	4	16,436	(10,138)	N/M
Loss before tax		**(25,183)**	**(125,583)**	(79.9%)
Income tax credit/(expense)		624	(735)	N/M
Loss for the year		**(24,559)**	**(126,318)**	(80.6%)
Results attributable to:				
Owners of the Company		**(18,295)**	**(107,487)**	(83.0%)
Non-controlling interests		(6,264)	(18,831)	(66.7%)
Loss for the year		**(24,559)**	**(126,318)**	(80.6%)

N/M – Not Meaningful

See the Notes on the following page

See paragraph 8 for more explanation on the income statement review

Notes to Income Statement disclosed in 1(a)

1. **Other Income**

Other income increased by $6.7 million from $4.8 million for FY2016 to $11.5 million for FY2017. This increase was mainly due to higher write backs of impairment losses on joint ventures.

2. **Other Operating Expenses**

Other operating expenses decreased $41.1 million from $60.6 million in FY2016 to $19.5 million in FY2017 mainly due to:

i. A $15.0 million decrease in impairment losses on a loan to a joint venture which decreased from $27.4 million in FY2016 to $12.4 million in FY2017 due to reduced losses in the joint venture;
ii. A $11.3 million decrease in impairment losses on plant and equipment which decreased from $11.3 million in FY2016 to $0 in FY2017;
iii. A $10.4 million decrease in losses on the disposal of plant and equipment which decreased from $13.5 million in FY2016 to a $3.1 million in FY2017;
iv. A $2.2 million decrease in foreign exchange losses which decreased from $2.2 million in FY2016 to $0 in FY2017; and
v. A $1.5 million decrease in costs associated with one of our assets under construction which reduced from $1.5 million in FY2016 to $0 in FY2017.

3. **Finance Income**

Finance income increased by $17.5 million from $5.8 million in FY2016 to $23.3 million in FY2017. The increase is mainly due to a $17.1 million gain on redemption of convertible bonds recorded in FY2017.

4. **Share of Results of Joint Ventures (net of tax)**

The Group's share of results from joint ventures increased $26.5 million from a loss of $10.1 million for FY2016 to a profit of $16.4 million for FY2017. The improvement was mainly due to a $30.4 million gain recorded in FY2017 following a court ruling (see the announcement by the Company dated 13 July 2017).

1(a)(i) Profit/(loss) for the year is arrived at after crediting/(charging):-

	Group		Increase/
	31.12.2017	31.12.2016	(Decrease)
	$'000	$'000	
Amortisation of intangible assets	(187)	(222)	(15.8%)
Depreciation of plant and equipment	(27,531)	(32,115)	(14.3%)
Impairment loss on plant and equipment	-	(11,329)	N/M
Impairment loss on intangible assets and goodwill	-	(727)	N/M
Finance costs on convertible bonds	(5,968)	(6,328)	(5.7%)
Interest expense on borrowings	(12,803)	(10,487)	22.1%
Gain on redemption of convertible bonds	17,100	-	N/M
Impairment loss on trade receivables	-	(27)	N/M
Write back of impairment loss on non-trade receivables	165	-	N/M
Impairment loss on loan to a joint venture	(12,352)	(27,438)	(55.0%)
Additional write down of assets held for sale	(1,811)	(1,441)	25.7%
Foreign exchange gain/(loss)	1,430	(2,197)	N/M
Bad debts written off	(720)	-	N/M
Loss on disposal of plant and equipment	(3,054)	(13,539)	(77.4%)
Plant and equipment written off	-	(24)	N/M
Loss on liquidation of subsidiaries	-	(431)	N/M
Write back of impairment loss on investment in joint ventures	10,004	4,211	137.6%
Adjustments for over provision of tax in respect of prior years	1,565	77	1932.5%

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	
	31.12.2017 $'000	31.12.2016 $'000	31.12.2017 $'000	31.12.2016 $'000
Current Assets				
Cash and cash equivalents	8,455	8,754	549	290
Amounts due from subsidiaries	-	-	221	222
Amounts due from joint ventures	8,306	1	1	-
Trade receivables	11,481	8,289	-	-
Contract work in progress	9	20	-	-
Inventories	222	240	-	-
Other assets	13,148	16,763	70	76
Assets held for sale	669	2,604	-	-
	42,290	**36,671**	**841**	**588**
Non-Current Assets				
Joint ventures	38,746	42,780	38,746	42,780
Amounts due from joint ventures	27,451	35,677	-	-
Subsidiaries	-	-	92,583	122,297
Plant and equipment	386,046	448,446	114	333
Intangible assets and goodwill	117	320	-	-
Other assets	617	968	-	301
Deferred tax assets	1,132	1,225	-	-
	454,109	**529,416**	**131,443**	**165,711**
Total assets	**496,399**	**566,087**	**132,284**	**166,299**
Current Liabilities				
Bank overdraft	-	3,434	-	-
Trade and other payables	27,295	25,966	1,270	3,430
Amounts due to joint ventures	78	44	64	32
Amounts due to subsidiaries	-	-	19,213	20,529
Provision for current tax	8,031	9,880	-	1,182
Financial liabilities	9,336	85,544	-	74,862
	44,740	**124,868**	**20,547**	**100,035**
Non-Current Liabilities				
Trade and other payables	555	540	-	-
Financial liabilities	398,727	343,124	70,514	-
Deferred tax liabilities	55	12	55	-
Provision for loss from joint ventures	-	10,496	-	-
	399,337	**354,172**	**70,569**	**-**
Total liabilities	**444,077**	**479,040**	**91,116**	**100,035**
Net assets	**52,322**	**87,047**	**41,168**	**66,264**
Equity Attributable to Owners of the Company:				
Share capital	359,973	359,973	359,973	359,973
Equity reserve	18,007	17,685	18,007	17,685
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(17,521)	(9,045)	-	-
Other reserve	(3,750)	(3,750)	-	-
Accumulated losses	(299,817)	(281,522)	(310,447)	(285,029)
	30,527	**56,976**	**41,168**	**66,264**
Non-controlling interests	21,795	30,071	-	-
Total equity	**52,322**	**87,047**	**41,168**	**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 31.12.2017 $'000	Group 31.12.2016 $'000
Secured	9,236	10,682
Unsecured	100	74,862
Total	9,336	85,544

Amount repayable after one year	Group 31.12.2017 $'000	Group 31.12.2016 $'000
Secured	383,727	343,124
Unsecured	15,000	-
Total	398,727	343,124

Amount repayable in total	Group 31.12.2017 $'000	Group 31.12.2016 $'000
Secured	392,963	353,806
Unsecured	15,100	74,862
Total	408,063	428,668

Included in unsecured loans repayable within one year as at 31 December 2017 is an amount of $100,000 relating to loans from related parties (31 December 2016: $13,302,000).

Included in secured amounts repayable after one year as at 31 December 2017 are fixed rate secured bonds due 2020 that were issued on 8 December 2017 (the "2017 Bonds"). The face value and carrying value of the 2017 Bonds are $65,500,000 and $65,514,000 respectively. The 2013 Bonds and the 2015 Bonds were redeemed on 8 December 2017 in a simultaneous transaction with the 2017 Bonds issue.

The face value and carrying value of the 2013 Bonds and the 2015 Bonds are shown below as at 31 December 2017 and as at 31 December 2016:

	Face Value 31.12.2017 $'000	Carrying Value 31.12.2017 $'000	Face Value 31.12.2016 $'000	Carrying Value 31.12.2016 $'000
2013 Bonds	-	-	45,000	53,640
2015 Bonds	-	-	7,500	7,920
Total	-	-	52,500	61,560

Details of the collaterals:

Secured bank loans are secured on plant and equipment, pledged cash deposits and corporate guarantees by the Company. Secured bonds are secured by a share charge in respect of shares in 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.

	Group	
	31.12.2017	31.12.2016
Operating activities	**$'000**	**$'000**
Loss before tax	(25,183)	(125,583)
Adjustments for:		
Amortisation of intangible assets	187	222
Depreciation of plant and equipment	27,531	32,115
Impairment loss on plant and equipment	-	11,329
Impairment loss on intangible assets and goodwill	-	727
Impairment loss on trade receivable	-	27
Write back of impairment loss on non-trade receivables	(165)	-
Impairment loss on loan to a joint venture	12,352	27,438
Bad debts written off	720	-
Loss on disposal of plant and equipment	3,054	13,539
Loss on liquidation of subsidiaries	-	431
Additional write down of assets held for sale	1,811	1,441
Write-back of impairment loss on investment in joint ventures	(10,004)	(4,211)
Finance income	(23,292)	(5,804)
Finance costs	12,803	10,487
Finance cost on convertible bonds	5,968	6,328
Plant and equipment written off	-	24
Share of results of joint ventures, net of tax	(16,436)	10,138
Unrealised foreign exchange gain	(1,428)	-
Operating loss before changes in working capital	(12,082)	(21,352)
Changes in working capital:		
Contract work in progress	11	884
Trade receivables	(4,824)	14,753
Other assets	2,660	(847)
Trade and other payables	4,867	(6,008)
Cash used in operations	(9,368)	(12,570)
Tax paid	(266)	(829)
Net cash used in operating activities	**(9,634)**	**(13,399)**
Investing activities		
Decrease/(Increase) of non-trade net receivables with joint ventures	10,372	(27,761)
Interest received	46	194
Acquisition of plant and equipment	(2,407)	(1,319)
Proceeds from disposal of plant and equipment	1,401	1,644
Acquisition of intangible assets	-	(20)
Refund of deposit paid	-	6,719
Net cash from/(used in) investing activities	**9,412**	**(20,543)**
Financing activities		
Repayment of bills payable	-	(814)
Decrease in deposits pledged	1,233	642
Interest paid on borrowings	(8,400)	(10,340)
Interest paid on convertible bonds	-	(1,503)
Proceeds from bank loans	15,000	62,932
Repayment of bank loans	(2,971)	(43,377)
Loan from related parties	494	13,302
Repayment of loan from related parties	(394)	-
Payment of transaction costs	(108)	(55)
Net cash from financing activities	**4,854**	**20,787**
Net increase/(decrease) in cash and cash equivalents	**4,632**	**(13,155)**
Cash and cash equivalents at beginning of the year	2,409	15,869
Effect of exchange rate changes on balances held in foreign currencies	(264)	(305)
Cash and cash equivalents at end of the year	**6,777**	**2,409**
Cash and cash equivalents at end of the year includes the following:		
Cash and cash equivalents	8,455	5,320
Deposits pledged	(1,678)	(2,911)
Cash and cash equivalents at end of the year	**6,777**	**2,409**

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

1(d) Statement of Comprehensive Income

	Group		
	31.12.2017	31.12.2016	Increase/ (Decrease)
	$'000	$'000	%
Loss attributable to:			
Owners of the Company	(18,295)	(107,487)	(83.0)
Non-controlling interests	(6,264)	(18,831)	(66.7)
Loss for the year	**(24,559)**	**(126,318)**	(80.6)
Other comprehensive income for the year:			
Item that will not be reclassified to profit or loss			
Defined benefit plan remeasurements	-	75	N/M
Item that are or may be reclassified subsequently to profit or loss			
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(10,488)	2,516	N/M
Other comprehensive (expense)/income for the year	**(10,488)**	**2,591**	N/M
Total comprehensive expense for the year	**(35,047)**	**(123,727)**	(71.7)
Total comprehensive expense attributable to:			
Owners of the Company	(26,771)	(105,234)	(74.6)
Non-controlling interests	(8,276)	(18,493)	(55.2)
Total comprehensive expense for the year	**(35,047)**	**(123,727)**	(71.7)

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 year	-	-	-	-	-	(18,295)	(18,295)	(6,264)	(24,559)
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	-	-	-	(8,476)	-	-	(8,476)	(2,012)	(10,488)
Total other comprehensive expense	-	-	-	(8,476)	-	-	(8,476)	(2,012)	(10,488)
Total comprehensive expense for the year	**-**	**-**	**-**	**(8,476)**	**-**	**(18,295)**	**(26,771)**	**(8,276)**	**(35,047)**
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Change in equity reserve due to equity component of convertible bonds	-	322	-	-	-	-	322	-	322
Total contributions by and distributions to owners of the Company	**-**	**322**	**-**	**-**	**-**	**-**	**322**	**-**	**322**
At 31 December 2017	**359,973**	**18,007**	**(26,365)**	**(17,521)**	**(3,750)**	**(299,817)**	**30,527**	**21,795**	**52,322**

Group	Share capital	Equity reserve	Treasury shares	Foreign currency translation reserve	Other reserve	Accumulated (losses)/profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
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 year	-	-	-	-	-	(107,487)	(107,487)	(18,831)	(126,318)
Other comprehensive income									
Exchange differences on translation of financial statements of foreign operations, and monetary items which form part of net investment in foreign operations	-	-	-	2,193	-	-	2,193	323	2,516
Defined benefit plan remeasurements	-	-	-	-	-	60	60	15	75
Total other comprehensive income	-	-	-	2,193	-	60	2,253	338	2,591
Total comprehensive income/(expense) for the year	**-**	**-**	**-**	**2,193**	**-**	**(107,427)**	**(105,234)**	**(18,493)**	**(123,727)**
At 31 December 2016	**359,973**	**17,685**	**(26,365)**	**(9,045)**	**(3,750)**	**(281,522)**	**56,976**	**30,071**	**87,047**

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 year	-	-	-	(25,418)	(25,418)
Total comprehensive expense for the year	**-**	**-**	**-**	**(25,418)**	**(25,418)**
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Change in equity reserve due to equity component of convertible bonds	-	322	-	-	322
Total contributions by and distributions to owners of the Company	**-**	**322**	**-**	**-**	**322**
At 31 December 2017	**359,973**	**18,007**	**(26,365)**	**(310,447)**	**41,168**
At 1 January 2016	359,973	17,685	(26,365)	(192,043)	159,250
Loss for the year	-	-	-	(92,986)	(92,986)
Total comprehensive expense for the year	**-**	**-**	**-**	**(92,986)**	**(92,986)**
At 31 December 2016	**359,973**	**17,685**	**(26,365)**	**(285,029)**	**66,264**

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 31 December 2017. The Company did not have any subsidiary holdings as at 31 December 2017 (31 December 2016: Nil).

As at 31 December 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 31 December 2016, 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, 21 June 2017 and 21 September 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 December 2017 and the redemption price payable on the amended maturity date, unless previously redeemed, converted or purchased and cancelled, had been increased to 124.45% of the face value. The 2013 Bonds were redeemed on 8 December 2017 at par (please refer to the announcement dated 8 December 2017 for more details).

On 19 November 2015, the Company issued $7.5 million of 6.0% convertible bonds with a maturity in September 2016 (the "2015 Bonds"). As at 31 December 2016, 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. The 2015 Bonds were redeemed on 8 December 2017 at par.

As at 31 December 2017, there were no convertible bonds outstanding. As at 31 December 2016, the convertible bonds outstanding are convertible into 81,002,430 fully-paid ordinary shares of the Company.

Warrants

On 8 December 2017, the Company issued 65.5 million non-listed bonus warrants pursuant to the issue of $65.5 million face value of secured fixed rate bonds due 2020. The warrants carry the right to subscribe for one fully-paid ordinary shares of the Company at an initial exercise price of $0.045 per new share. The warrants, unless previously exercised, will expire on 8 December 2020.

As at 31 December 2017, the Company has 65,500,000 warrants outstanding (31 December 2016: 0).

KS Energy Performance Share Plan (the "Plan")

As at 31 December 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 31 December 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, disposal, 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 December 2017 (31 December 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.

		Group (Year-to-date)	
		Group	
		31.12.2017	31.12.2016
Loss per share attributable to owners of the Group:			
(a)	Based on weighted average number of ordinary shares in issue (cents per share)	(3.55)	(20.85)
	- Weighted average number of shares	515,601,215	515,601,215
(b)	On a fully diluted basis (cents per share)	(3.55)	(20.85)
	- Weighted average number of shares	515,601,215	515,601,215

The basic and diluted earnings per share for the year ended 31 December 2017 was calculated by dividing the loss attributable to shareholders of $18,295,000 (31.12.2016: $107,487,000) by the weighted average number of shares in issue during the financial year.

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		Company	
	31.12.2017	31.12.2016	31.12.2017	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 year reported on	5.9	11.1	8.0	12.9

The net asset values per ordinary share of the Group and Company have been computed based on the 515,601,215 ordinary shares issued as at 31 December 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 year ended 31 December 2017

	Group		
	31.12.2017	31.12.2016	Change
Revenue by segment	**$'000**	**$'000**	
Drilling	46,568	27,041	72.2%
Engineering	576	8,050	(92.8%)
	47,144	**35,091**	34.3%

Overview

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

Results for the twelve months ended 31 December 2017 ("FY2017")

The consolidated revenue was $47.1 million for FY2017, an increase of $12.0 million, or 34.3%, above that of $35.1 million reported for the twelve months ended 31 December 2016 ("FY2016") mainly due to the higher revenue from the Drilling segment which more than offset the lower revenue from the Engineering segment.

The consolidated loss after tax was $24.6 million for FY2017, an improvement of $101.7 million compared to the consolidated loss after tax of $126.3 million reported for FY2016. The improvement was mainly due to:

i. smaller losses from operating activities which reduced by $58.3 million and was mainly due to:
   a. a $9.7 million improvement in gross profit from a $29.2 million loss in FY2016 to a $19.5 million loss in FY2017;
   b. a $6.7 million increase in Other Income from $4.8 million in FY2016 to $11.5 million in FY2017;
   c. a $0.8 million decrease in Administrative Expenses from $19.4 million in FY2016 to $18.6 million in FY2017; and
   d. a $41.1 million decrease in Other Operating Expenses from $60.6 million in FY2016 to $19.5 million in FY2017;

ii. a $17.5 million increase in Finance Income from $5.8 million in FY2016 to $23.3 million in FY2017;

iii. a $26.5 million increase in share of results from joint ventures, from a $10.1 million loss in FY2016 to a $16.4 million gain in FY2017;

iv. a $1.3 million decrease in tax expense from a $0.7 million expense in FY2016 to a $0.6 million credit in FY2017; and

v. Offset by a $2.0 million increase in Finance Costs from $16.8 million in FY2016 to $18.8 million in FY2017.

Revenue

The consolidated revenue was $47.1 million in FY2017, an increase of $12.0 million, or 34.3%, above that of $35.1 million reported for FY2016.

Revenue from the Drilling business increased $19.5 million, or 72.2%, from $27.0 million for FY2016 to $46.5 million for FY2017. The higher revenue resulted from higher fleet utilisation following the award of charter contracts in early FY2017. Revenue contribution from the Drilling business made up about 98.8% of the Group's consolidated revenue for FY2017.

Revenue from the Engineering business decreased $7.5 million, or 92.6%, from $8.1 million for FY2016 to $0.6 million for FY2017. The lower revenue resulted from the completion of projects during FY2016 and a lack of new project awards in FY2017. Revenue contribution from the Engineering business made up about 1.2% of the Group's consolidated revenue for FY2017.

Gross Loss

The gross loss of $19.5 million for FY2017 was $9.7 million, or 33.2%, smaller than the gross loss of $29.2 million reported for FY2016. The smaller gross loss in FY2017 was the net result of a $2.4 million increase in cost of sales from a $12.0 million increase 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 $4.2 million from $31.2 million in FY2016 to $26.9 million in FY2017. The lower depreciation charge in FY2017 was mainly due to the disposal of plant and equipment in FY2016.

The gross loss margin decreased from 83.2% in FY2016 to 41.4% in FY2017.

Other Income

Other income increased by $6.7 million from $4.8 million for FY2016 to $11.5 million for FY2017. This increase was mainly due to higher write backs of impairment losses on joint ventures, which increased by $5.8 million from $4.2 million in FY2016 to $10.0 million in FY2017 and higher foreign exchange gains which increased by $1.4 million from $0 in FY2016 to $1.4 million in FY2017. The remaining items in Other income comprise income not directly related to the revenue generated from our day-to-day operations.

Operating Expenses

Administrative expenses decreased $0.8 million from $19.4 million in FY2016 to $18.6 million in FY2017 mainly due to reduced staff costs.

Other operating expenses decreased $41.1 million from $60.6 million in FY2016 to $19.5 million in FY2017 mainly due to:

i. A $15.0 million decrease in impairment losses on a loan to a joint venture which decreased from $27.4 million in FY2016 to $12.4 million in FY2017 due to reduced losses in the joint venture;
ii. A $11.3 million decrease in impairment losses on plant and equipment which decreased from $11.3 million in FY2016 to $0 in FY2017;
iii. A $10.4 million decrease in losses on the disposal of plant and equipment which decreased from $13.5 million in FY2016 to a $3.1 million in FY2017;
iv. A $2.2 million decrease in foreign exchange losses which decreased from $2.2 million in FY2016 to $0 in FY2017; and
v. A $1.5 million decrease in costs associated with one of our assets under construction which reduced from $1.5 million in FY2016 to $0 in FY2017.

Finance Income and Costs

Finance income increased by $17.5 million from $5.8 million in FY2016 to $23.3 million in FY2017. The increase is mainly due to a $17.1 million gain on redemption of convertible bonds recorded in FY2017. The remainder of the finance income is mainly derived from interest income on loans provided to a joint venture and additional loans were provided in FY2016.

Finance costs increased $2.0 million from $16.8 million in FY2016 to $18.8 million in FY2017 due to higher overall interest rates on higher average borrowings in FY2017.

Share of results of associates and joint ventures

The Group's share of results from joint ventures increased $26.5 million from a loss of $10.1 million for FY2016 to a profit of $16.4 million for FY2017. The improvement was mainly due to a $30.4 million gain recorded in FY2017 following a court ruling (see the announcement by the Company dated 13 July 2017). The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group") decreased $3.9 million from a loss of $10.1 million for FY2016 to a loss of $14.0 million for FY2017.

Tax expense

The tax expense decreased by $1.3 million from an expense of $0.7 million in FY2016 to a credit of $0.6 million in FY2017 due to adjustments for the overprovision of tax in prior years.

Result Attributable to Shareholders

The result attributable to the owners of the Group was a loss of $18.3 million for FY2017 which was $89.2 million smaller than the loss of $107.5 million reported for FY2016.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets decreased $75.3 million from $529.4 million as at 31 December 2016 to $454.1 million as at 31 December 2017.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet decreased by $53.9 million from $376.4 million as at 31 December 2016 to $322.5 million as at 31 December 2017 due to depreciation charges, disposals and foreign exchange impacts. The carrying value of assets under construction decreased by $7.8 million from $70.4 million as at 31 December 2016 to $62.6 million as at 31 December 2017 due to the disposals of surplus equipment and foreign exchange impacts.

The carrying value of joint ventures decreased $4.1 million from $42.8 million as at 31 December 2016 to $38.7 million as at 31 December 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 $38.7 million as at 31 December 2017.

Non-current amounts due from joint ventures decreased by $8.2 million from $35.7 million as at 31 December 2016 to $27.5 million as at 31 December 2017. The movement in the non-current amounts due from joint ventures is summarised below:

	$'millions
Amount due from joint venture as at 31 December 2016	35.7
Add net interest charged on loan	5.5
Add impairment reversal	8.2
Less amount reclassified to current amounts due	(18.6)
Less foreign exchange impacts	(3.3)
Amount due from joint venture as at 31 December 2017	27.5

Total current assets increased $5.6 million from $36.7 million as at 31 December 2016 to $42.3 million as at 31 December 2017. The increase in current assets was mainly due to higher amounts due from joint ventures and trade receivables, offset by lower other assets. Amounts due from joint ventures increased $8.3 million due to the reclassification from non-current assets. Trade receivables increased $3.2 million from $8.3 million as at 31 December 2016 to $11.5 million as at 31 December 2017 due to the higher revenue following the commencement of charter contracts. Other current assets decreased $3.7 million from $16.8 million as at 31 December 2016 to $13.1 million as at 31 December 2017 (see table below).

The carrying value of assets held for sale as at 31 December 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:

	31.12.2017 $'000	31.12.2016 $'000	Movement $'000
Detailed breakdown:			
Sundry deposits	**128**	210	(82)
Withholding tax recoverable	**1,480**	3,892	(2,412)
Value-added tax receivable	**4,865**	8,359	(3,494)
Deferred operating expenses	**2,768**	2,396	372
Other debtors	**1,832**	1,289	543
Advanced payments to suppliers	**1,594**	-	1,594
Prepayments	**481**	617	(136)
Other Current Assets	**13,148**	**16,763**	**(3,615)**

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

Total liabilities decreased $34.9 million, or 7.3%, from $479.0 million as at 31 December 2016 to $444.1 million as at 31 December 2017. This was principally attributable to a decrease $20.6 million in total borrowings from $428.6 million as at 31 December 2016 to $408.0 million as at 31 December 2017, mainly due to foreign exchange impacts, and a $10.5 million decrease in the provision for losses from joint ventures which was recognised for tax commitments of the joint venture that the group was obligated to pay.

Within current liabilities, trade and other payables increased $1.3 million from $26.0 million as at 31 December 2016 to $27.3 million as at 31 December 2017 due to the increase in operating costs following the commencement of charter contracts during the year. Current liabilities also decreased as bank overdrafts decreased by $3.4 million from $3.4 million as at 31 December 2016 to $0 as at 31 December 2017 and tax provisions decreased by $1.9 million from $9.9 million as at 31 December 2016 to $8.0 million as at 31 December 2017, mainly due to adjustments for the overprovision of tax in prior years.

As at 31 December 2017, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $2.5 million and $19.7 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.

Continuing to improve the net current liability position of the Group and Company is a key concern for the Company. The financial statements for the year ended 31 December 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 non-core assets where possible.

iii. Financing plans

The Group seeks additional working capital facilities to cover any cash shortfalls during FY2018. These plans, together with the operating activities and asset divestment plans are expected to allow the Group to meet the $9.3 million of current borrowings as and when they fall due.

The Group has a capital commitment of $253.0 million for an asset under construction due on 31 December 2018 and a capital commitment of $226.2 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 $1.5 million from $10.7 million as at 31 December 2016 to $9.2 million as at 31 December 2017 and secured non-current borrowings increased $40.6 million from $343.1 million as at 31 December 2016 to $383.7 million as at 31 December 2017. The increase in secured borrowings was mainly due to a new issue of $65.5 million secured fixed rate bonds due in 2020 and changes in foreign exchange rates as secured bank loans are denominated in foreign currencies.

Unsecured current borrowings decreased $74.8 million from $74.9 million as at 31 December 2016 to $0.1million as at 31 December 2017 due to the redemption of the 2013 Bonds, the 2015 Bonds and loans from a related party.

Unsecured non-current borrowings increased from $0 as at 31 December 2016 to $15.0 million as at 31 December 2017 due to the drawdown of unsecured credit facilities during FY2017.

STATEMENT OF CASH FLOWS REVIEW

As at 31 December 2017, cash and cash equivalents amounted to $8.5 million (31 December 2016: $5.3 million), of which unpledged cash and cash equivalents amounted to $6.8 million (31 December 2016: $2.4 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of $9.6 million for FY2017. The net cash outflow from operating activities comprised a cash outflow of $12.1 million arising due to operating losses before changes in working capital; a cash outflow of $0.3 million arising due to income taxes paid; and offset with a cash inflow of $2.7 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 $9.4 million for FY2017. This was attributable mainly to a decrease in non-trade net receivables from joint ventures which incurred a cash inflow of $10.4 million; the proceeds from the disposal of plant and equipment which generated a cash inflow of $1.4 million; and offset with the acquisition of plant and equipment which incurred cash outflow of $2.4 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an inflow of $4.9 million for FY2017. The aggregate repayment of bank loans during FY2017 amounted to $3.0 million and the aggregate proceeds from new bank loans during FY2017 totalled $15.0 million. A net cash outflow of $0.4 million was used to repay a loan from a related party. Interest paid during FY2017 generated a cash outflow of $8.4 million. A reduction of deposits pledged generated a cash inflow of $1.2 million during FY2017.

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 full year 2017 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 14 November 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 its 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/recommended for the current financial reporting period.

13. Interested persons transactions

The Group has the following interested person transactions ("IPT") for the twelve months of the financial year ended 31 December 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)
PT Dwi Sumber Acra Waja, its subsidiaries and its associates ("DSAW Group")		
• Provision of goods and services to and from the DSAW Group		SGD 326,086
• 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 353,509
Additional information pursuant to the JVC IPT Mandate:		
• *Injection of funds by KS Drilling to JVC Group*		*USD 319,761*
• *Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of the period [(1)]*	*USD 8,029,847*	
• *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 45,690,207*

(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 31 December 2017 was US$6.2 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 31 December 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 31 December 2017.

14. Negative confirmation pursuant to Rule 705 (5)

Not applicable.

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 the chief financial officer.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

16. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

Primary reporting format - business segment

Business segments	Drilling		Engineering		Distribution*		Others		Inter-Segment Adjustments		Total	
	2017 $' 000	2016 $' 000	2017 $' 000	2016 $' 000	2017 $' 000	2016 $' 000	2017 $' 000	2016 $' 000	2017 $' 000	2016 $' 000	2017 $' 000	2016 $' 000
External revenues	46,568	27,041	576	8,050	-	-	-	-	-	-	47,144	35,091
Inter-segment revenues	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	46,568	27,041	576	8,050	-	-	-	-	-	-	47,144	35,091
Finance income	6,188	5,828	4	5	-	-	17,108	150	(8)	(179)	23,292	5,804
Finance costs	(11,773)	(9,793)	(10)	(14)	-	-	(6,996)	(7,187)	8	179	(18,771)	(16,815)
Reportable segment (loss)/profit before income tax	(57,908)	(90,312)	(761)	(410)	-	-	17,050	(24,723)	-	-	(41,619)	(115,445)
Share of results of associates and joint ventures	30,474	-	-	-	(14,038)	(10,138)	-	-	-	-	16,436	(10,138)
Consolidated (loss)/profit before tax	(27,434)	(90,312)	(761)	(410)	(14,038)	(10,138)	17,050	(24,723)	-	-	(25,183)	(125,583)
Income tax	(498)	(821)	11	(8)	-	-	1,111	94	-	-	624	(735)
Other material non-cash items:												
Depreciation of plant and equipment	27,279	30,234	31	46	-	-	221	1,835	-	-	27,531	32,115
Amortisation of intangible assets	175	189	12	33	-	-	-	-	-	-	187	222
Impairment loss/(Write-back) for receivables	12,352	27,944	-	27	-	-	(165)	-	-	-	12,187	27,971
Impairment losses on rigs	-	11,329	-	-	-	-	-	-	-	-	-	11,329
Impairment losses on goodwill	-	-	-	727	-	-	-	-	-	-	-	727
Loss on disposal of non-core assets	-	-	-	-	-	-	-	13,073	-	-	-	13,073
Write-back on investment in joint venture**	-	-	-	-	-	-	(10,004)	(4,211)	-	-	(10,004)	(4,211)

* The results from Distribution segment are accounted for using equity method since it is a joint venture.

** This amount relates to the Group's impairment of investment in the joint venture.

Business segments	Drilling		Engineering		Distribution*		Others		Total	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Assets and Liabilities										
Reportable segment assets	454,004	517,028	1,768	4,097	-	-	749	957	456,521	522,082
Investment in associates and joint ventures	-	-	-	-	38,746	42,780	-	-	38,746	42,780
Deferred tax assets	1,132	1,225	-	-	-	-	-	-	1,132	1,225
Total assets	455,136	518,253	1,768	4,097	38,746	42,780	749	957	496,399	566,087
Reportable segment liabilities	361,393	386,734	2,171	3,548	-	-	72,427	78,866	435,991	469,148
Provision for tax	3,459	4,126	2	2	-	-	4,570	5,752	8,031	9,880
Deferred tax liabilities	-	-	-	12	-	-	55	-	55	12
Total liabilities	364,852	390,860	2,173	3,562	-	-	77,052	84,618	444,077	479,040
Other Segment Information										
Capital expenditure	2,398	1,273	7	46	-	-	2	-	2,407	1,319

* The results from Distribution segment are accounted for using equity method since it is a joint venture.

Secondary reporting format - geographical segments

	Revenue		Non-current assets		Capital expenditure	
	2017	2016	**2017**	2016	**2017**	2016
	$'000	$'000	**$'000**	$'000	**$'000**	$'000
Singapore	**-**	1,628	**39,011**	43,493	**9**	**46**
The People's Republic of China	**-**	-	**62,634**	70,711	**759**	**916**
Kurdistan	**19**	91	**19,575**	26,888	**-**	**-**
Egypt	**9,341**	10,998	**24,066**	31,861	**-**	**357**
Pakistan	**1,451**	4,166	**10,755**	13,679	**-**	**-**
Vietnam	**11,983**	4	**209,144**	235,048	**-**	**-**
Indonesia	**23,846**	11,790	**88,924**	107,736	**1,639**	**-**
Malaysia	**192**	590	**-**	-	**-**	**-**
Other countries	**312**	5,824	**-**	-	**-**	**-**
	47,144	35,091	**454,109**	529,416	**2,407**	1,319

17. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Refer paragraph 8 above.

18. A breakdown of sales

	Group		
	2017	**2016**	**Increase/ (decrease)**
	$'000	**$'000**	**%**
First Half			
(a) Revenue	20,837	21,715	(4)
(b) Loss after tax before deducting non-controlling interests	(19,529)	(63,458)	(69)
Second Half			
(a) Revenue	26,307	13,376	97
(b) Loss after tax before deducting non-controlling interests	(5,030)	(62,860)	(92)

19. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Not applicable.

20. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13).

List of Persons occupying Managerial Positions who are related to a Director or Chief Executive Officer or Substantial Shareholder of KS Energy Limited and any of its principal subsidiaries:

Name	Age	Family Relationship with any Director and/or Chief Executive Officer and/or Substantial Shareholder	Current position and duties, and the year position was first held	Details of changes in duties and position held, if any, during the year
Kris Taenar Wiluan	69	Father of Richard James Wiluan and father-in-law of Samuel Paul Oliver Carew-Jones, deemed interested in the shares owned by Pacific One Energy Limited, a controlling shareholder of the Company.	KS Energy Limited: Executive Chairman & Chief Executive Officer of KS Energy Limited since 2006.	Nil
Richard James Wiluan	39	Son of Kris Taenar Wiluan, Executive Chairman & Chief Executive Officer of KS Energy Ltd. Deemed interested in the shares owned by Pacific One Energy Limited, a controlling shareholder of the Company.	KS Energy Limited Appointed as an Executive Director of the Company on 1 May 2014.	Ceased his role as Director, Corporate Development from December 2017
Samuel Paul Oliver Carew-Jones	43	Son-in-law of Kris Taenar Wiluan, Executive Chairman & Chief Executive Officer of KS Energy Limited and deemed interested in the shares owned by Pacific One Energy Limited, a controlling shareholders of the Company.	KS Energy Limited: Chief Financial Officer of the Group since 1 October 2012. Responsible for overseeing the accounting and finance matters of the Company.	Nil

BY ORDER OF THE BOARD

Lai Kuan Loong, Victor
Company Secretary

28 February 2018