KS ENERGY LIMITED
An Integrated Energy Services Hub

(A) INTERNAL REORGANISATION OF THE SUBSIDIARIES OF KS ENERGY LIMITED (THE "INTERNAL REORGANISATION");

(B) PROPOSED PURCHASE OF S$30,000,000 FIXED RATE SECURED BONDS DUE 2020 FROM OVERSEA-CHINESE BANKING CORPORATION LIMITED BY KS ENERGY LIMITED (THE "PROPOSED KSE BOND PURCHASE"); AND

(C) PROPOSED ISSUE OF S$35,000,000 FIXED RATE UNSECURED BONDS DUE 2021 BY KS RESOURCES PTE. LTD. (THE "PROPOSED KSR BONDS ISSUANCE"),

(COLLECTIVELY, THE "PROPOSED TRANSACTIONS")

*All capitalised terms used herein shall have the definitions ascribed to them in the announcements dated 26 May 2017, 1 August 2017, 29 September 2017, 4 October 2017, 8 December 2017, 7 June 2018 and 9 July 2018 (the "**Previous Announcements**"), unless otherwise stated or context otherwise requires.*

1. INTRODUCTION

1.1. The board of directors (the "**Board**" or the "**Directors**") of KS Energy Limited (the "**Company**", together with its subsidiaries, the "**Group**") refers to the Previous Announcements and wishes to announce that:

(a) there shall be an internal reorganisation of the Group whereby the Company's entire 55.35% shareholdings in KS Distribution Pte. Ltd. ("**KS Distribution**" and together with its subsidiaries the "**KS Distribution Group**") shall be transferred to its wholly-owned subsidiary, KS Resources Pte Ltd ("**KSR**") such that the Company's interest in KS Distribution shall be held through KSR;

(b) the Company has on 19 October 2018 entered into a bond purchase agreement ("**KSE Bond Purchase Agreement**") with Oversea-Chinese Banking Corporation Limited ("**OCBC**") pursuant to which OCBC wishes to sell and the Company wishes to purchase S$30,000,000 in principal amount of KSE Bonds (as defined below) outstanding as at the date of the KSE Bond Purchase Agreement; and

(c) the Company, together with its wholly-owned subsidiary, KSR, has on 19 October 2018 entered into a bond subscription agreement with OCBC ("**KSR Bond Subscription Agreement**", together with the KSE Bond Purchase Agreement, the "**Agreements**") pursuant to which KSR shall issue and OCBC shall subscribe for an aggregate of S$35,000,000 fixed rate unsecured bonds due 2021 ("**KSR Bonds**").

The completion of the Internal Reorganisation, the Proposed KSE Bond Purchase and the Proposed KSR Bonds Issuance are conditional upon each another.

1.2. The Company and OCBC have on 26 May 2017, entered into a purchase agreement, which was amended and restated on 1 August 2017 by way of a deed of amendment and restatement, and further amended and restated on or around 4 October 2017, in respect of the purchase by OCBC of a portion of the S$65,500,000 fixed rate secured bonds due 2020 ("**KSE Bonds**") to be issued

by the Company (the "**Original Bond Purchase Agreement**"). The Company and OCBC have subsequently entered into the First Supplemental Agreement to amend and supplement the Original Bond Purchase Agreement on 24 April 2018 and the Second Supplemental Agreement to further amend and supplement Schedule 1 (Terms and Conditions of the Bonds) of the Original Bond Purchase Agreement (collectively with the Original Bond Purchase Agreement, the "**Previous Bond Purchase Agreement**").

1.3. OCBC is the legal and beneficial owners of S$30,000,000 in principal amount of the KSE Bonds outstanding as at the date of the Agreements.

1.4. In addition, the Company and OCBC have entered into a credit facility dated 6 April 2017 for a Bridging Loan Facility totalling S$5,000,000 (the "**OCBC Loan**").

1.5. The Company owes S$5,000,000 in principal amount to OCBC in respect of the OCBC Loan as at the date of the Agreements and wishes to repay the OCBC Loan to OCBC in full (the "**OCBC Loan Repayment**").

1.6. The Company, KSR and OCBC entered into the KSR Bond Subscription Agreement in relation to the KSR Bonds. The consideration for the purchase price of S$30,000,000 for the KSE Bonds ("**Purchase Price**") pursuant to the KSE Bond Purchase Agreement shall be through the delivery by the Company of S$30,000,000 in aggregate principal amount of KSR Bonds, fully paid, to OCBC.

1.7. Separately, the consideration for the payment by the Company of the OCBC Loan Repayment of S$5,000,000 shall be through the delivery by the Company of a further S$5,000,000 in aggregate principal amount of KSR Bonds, fully paid, to OCBC. OCBC shall subscribe for an aggregate of S$35,000,000 KSR Bonds.

1.8. The Company has obtained the consent of the other holders of the KSE Bonds and the holders of the 65.5 million non-listed warrants that were issued in conjunction with the KSE Bonds previously in relation to the Proposed Transactions.

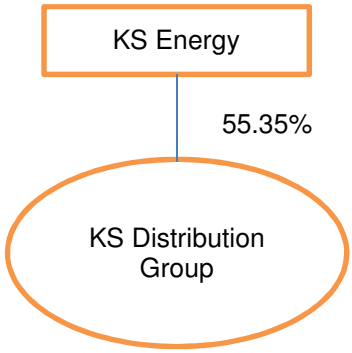
2. INTERNAL REORGANISATION OF THE GROUP

2.1 Transfer of KS Distribution to KSR

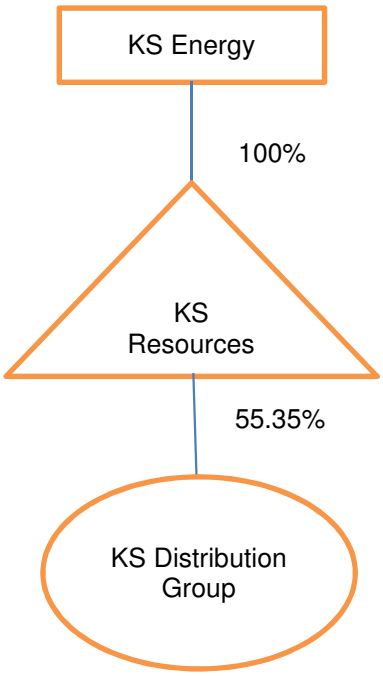
Pursuant to the Internal Reorganisation, the Company (as vendor) has on 19 October 2018 entered into a sale and purchase agreement with KSR (as purchaser) to transfer all of the Company's 55.35% shareholding interest held in KS Distribution to KSR for a consideration of S$37,857,000, which was determined based on the book value of the shares of KS Distribution as at 30 June 2018 and shall be settled using the proceeds from a proposed new issue of debt securities by KSR. Following the Internal Reorganisation, the Company's entire 55.35% shareholding interest in KS Distribution shall be held by its wholly-owned subsidiary, KSR. The completion of the Internal Reorganisation is subject to all the relevant approvals being obtained and this may include approval from the other shareholder of KS Distribution, Actis Excalibur Limited ("**Actis**").

KSR shall hold KS Distribution which is the Group's distribution business which represents more than 300 globally accredited brands and distributes more than 60,000 line items.

Before the Internal Reorganisation



After the Internal Reorganisation



3. THE PROPOSED KSE BOND PURCHASE

3.1 OCBC wishes to sell, and the Company wishes to purchase the principal amount of KSE Bonds in consideration for the payment by the Company of the Purchase Price through the delivery by the Company of the KSR Bonds, in the denomination of S$50,000 each.

3.2 Pursuant to the KSE Bond Purchase Agreement, the KSE Bonds shall be purchased and cancelled by the Company.

3.3 In relation thereto, the Proposed KSE Bond Purchase and the concurrent Proposed KSR Bond Issuance constitute full and final discharge of the Company's obligations towards OCBC under, *inter alia*, Schedule 1 of the Terms and Conditions of the KSE Bonds and the Shares Charge dated 8 December 2017 entered into between the Company (as Chargor), OCBC (as Security Trustee), OCBC and the other holders of the KSE Bonds.

4. THE PROPOSED KSR BONDS ISSUANCE

4.1 The aggregate principal amount of S$35,000,000 of the KSR Bonds includes the Purchase Price and the balance S$5,000,000 shall be used to set-off and settle the Company's liability in relation to the OCBC Loan.

4.2 Pursuant to the KSR Bond Subscription Agreement, KSR agrees to issue the KSR Bonds and OCBC agrees with KSR and the Company to subscribe and settle the consideration payable for such aggregate principal amount of KSR Bonds purchased by OCBC on the Closing Date (as defined below) at the issue price of 100 per cent. of the aggregate principal amount of the KSR Bonds purchased.

4.3 Payment for the KSR Bonds by OCBC shall be settled by delivery of the relevant amount of KSE Bonds currently held by OCBC to the Company and the full settlement of the OCBC Loan.

4.4 The KSR Bonds are to be issued to OCBC pursuant to Sections 274 and 275 of the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"). Hence, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in respect of the Proposed KSR Bonds Issuance.

4.5 **Principal Terms of the KSR Bonds**

The principal terms and conditions of the KSR Bonds are summarized as follows:

Issue Size	:	S$35,000,000 in principal amount of the KSR Bonds.
Issue Price	:	100.0 per cent. of the principal amount of the KSR Bonds.
Interest	:	Assuming the Closing Date is on 8 November 2018, (a) from and including the Closing Date to but excluding 8 November 2019, 1.15 per cent. per annum of the principal amount outstanding of the KSR Bonds;

		(b) from and including 8 November 2019 to but excluding 8 November 2020, 2.0 per cent. per annum of the principal amount outstanding of the KSR Bonds; (c) from and including 8 November 2020 to but excluding the Maturity Date (as defined below), 3.0 per cent. per annum of the principal amount outstanding of the KSR Bonds; and (d) subject to the exercise of the Extension Right from and including the Maturity Date to but excluding the Extended Maturity Date (as defined below), 4.0 per cent. per annum of the principal amount outstanding of the KSR Bonds.
Yield-to-Maturity	:	Approximately 8.00 per cent. per annum calculated on a compounding basis.
Maturity Date	:	Three (3) years from the Closing Date (the "**Maturity Date**").
Extended Maturity Date	:	OCBC shall have the right (but not the obligation) to direct KSR to extend the maturity date of the KSR Bonds held by OCBC for an additional year from the Maturity Date, such date being four (4) years from the Closing Date (the "**Extended Maturity Date**") (the "**Extension Right**").
Final Redemption	:	Unless previously redeemed or purchased and cancelled as provided herein, KSR will redeem the KSR Bonds at 119.82 per cent. of its principal amount together with unpaid accrued interest thereon the Maturity Date or at 125.90 per cent. of its principal amount together with unpaid accrued interest thereon on the Extended Maturity Date.
Status of the KSR Bonds	:	The KSR Bonds shall constitute direct and unsecured obligations of KSR. The payment obligations of KSR under each of the KSE Bond Purchase Agreement and the KSR Bonds ("**Material Agreements**") shall, save for exceptions as may be provided by applicable legislation, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.
Redemption at the Option of KSR	:	If at any time the aggregate principal amount of the KSR Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued, KSR shall have the option to redeem all (and not some only) of the outstanding KSR Bonds at the Early Redemption Amount (as defined below), in each case, together with accrued, but unpaid, interest (calculated up to, but excluding, the date fixed for such redemption). KSR will give at least 30 days' but not more than 60 days' prior notice to OCBC for such redemption (which notice will be irrevocable).
Redemption at the Option of OCBC	:	OCBC shall have the option to redeem all or some only of the outstanding KSR Bonds at the Early Redemption Amount plus accrued and unpaid interest, if there is a change of control of KSR.

Early Redemption Amount	:	For each S$50,000 in principal amount of the KSR Bonds purchased at the issue price on the date of issue, the early redemption amount shall be determined in accordance with the following formula: **Early Redemption Amount** = S$50,000 x (1 + r) ^ (d/p) – AI r = 8.00 per cent., expressed as a fraction d = number of days from and including the Closing Date to, but excluding, the date fixed for redemption, calculated on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed p = 360 AI = the accrued interest plus the cumulative interest paid on a KSR Bonds determined in accordance with the terms and conditions of the KSR Bonds
Mandatory Prepayments	:	Upon an Asset Sale, KSR shall use all of the proceeds of such Asset Sale, save that KSR may retain such amounts of proceeds for 12 months based on KSR's normalised working capital requirements for the preceding financial year, to redeem on the date of interest payment immediately following the date of the completion of such sale, the KSR Bonds at the Early Redemption Amount of such KSR Bonds, together with interest accrued up to the date fixed for such redemption, provided that the Company need not make such redemption unless the proceeds of such Asset Sale (when aggregated with any other proceeds of any prior Asset Sales that were not used to redeem the KSR Bonds) exceeds S$5 million (or its equivalent in foreign currencies). "**Asset Sale**" means any sale (including any sale or issuance of shares), transfer or other disposition (including by way of merger, consolidation, sale and repurchase transaction, or sale and leaseback transaction) by KSR, in one transaction or a series of related or unrelated transactions and whether at one time or over a period of time, of any part of its property or assets; provided that "**Asset Sale**" will not include: (i) sales, transfers or other dispositions of inventory, receivables and other current assets in the ordinary course of business on an arm's length basis and on normal commercial terms; (ii) any sale, transfer, assignment or other disposition of any property or equipment that has become damaged, worn out, obsolete or otherwise unsuitable for use in connection with the business of KSR; (iii) any sale, transfer, assignment or other disposition to KSR made in connection with the consolidation, amalgamation or merger of KSR; and

		(iv) any sale, transfer, assignment or other disposition approved by Bondholders by way of an extraordinary resolution.
Governing Law	:	Laws of the Republic of Singapore.

4.6 **Conditions Precedent of the Proposed KSR Bonds Issuance**

The Proposed KSR Bonds Issuance is conditional upon, *inter alia*:

(a) on or prior to the Closing Date, there shall have been delivered to OCBC a copy of a duly executed share transfer form in favour of KSR and a copy of the electronic register of members of KS Distribution as evidence of the completion of the internal reorganisation of the Group such that the Company's shareholding interest in KS Distribution shall be held through KSR;

(b) on or prior to the Closing Date, there shall have been delivered to OCBC in a form reasonably satisfactory to OCBC, an opinion (including an opinion that the KSR Bond Subscription Agreement constitutes legal, valid, binding and enforceable obligations under Singapore law), dated the Closing Date, of the legal advisers to KSR as to Singapore law and such other resolutions, consents, authorities and documents relating to the Material Agreements and the issue of the KSR Bonds, as OCBC may reasonably require;

(c) on or prior to the Closing Date, there shall have been delivered to OCBC, each in a form reasonably satisfactory to OCBC, any additional documents required by OCBC and its legal advisers, which is necessary for the completion of the issue;

(d) on the Closing Date, the issuance and sale of the KSR Bonds to OCBC shall not be prohibited by the laws and regulations of any jurisdiction to which KSR or OCBC is subject;

(e) there has been no change in (i) the business, operations, management, affairs or financial condition of KSR and any of KSR's subsidiaries ("**KSR Group**"), (ii) the political or economic conditions in Singapore or (iii) the financial markets of Singapore that, in each case, (a) is reasonably expected to have a material adverse effect or material adverse change in the financial condition, earnings, operations, assets, prospects or business of the KSR Group taken as a whole, whether or not arising in the ordinary course of business, (b) is reasonably expected to have a material effect on the ability of KSR or OCBC to perform their obligations under the KSR Bond Subscription Agreement or the KSR Bonds, or (c) would affect the validity or enforceability of the KSR Bond Subscription Agreement or the KSR Bonds;

(f) the KSE Bond Purchase Agreement remaining in full force and effect on the Closing Date; and

(g) if required, on or prior to the Closing Date, the Company shall convene an extraordinary general meeting to, *inter alia*, seek the approval of shareholders of the Company ("**Shareholders**") in respect of the Proposed KSR Bonds Issuance.

Save for (g), OCBC may at its discretion, waive compliance with the whole or any part of the conditions precedent.

4.7 **Closing**

At 12.00 p.m. (Singapore time) on the earlier of:

I. 8 November 2018 (provided that the conditions precedent set out above have been met on or before 8 November 2018); or

II. the date falling eight (8) Business Days following the date on which the conditions precedent set out above have been met subject to such date falling no later than 30 November 2018,

(the "**Closing Date**").

4.8 **Simultaneous Completion**

Notwithstanding anything to the contrary contained in the KSR Bond Subscription Agreement and the KSE Bond Purchase Agreement, neither party shall be obliged to complete the Proposed KSE Bond Purchase unless there is simultaneous completion of the Proposed KSR Bonds Issuance.

5. RATIONALE AND BENEFITS OF THE PROPOSED TRANSACTIONS

The Internal Reorganisation is undertaken in connection with the Proposed KSE Bond Purchase and the Proposed KSR Bond Issuance. The Proposed Transactions are undertaken to refinance the KSE Bonds and the OCBC Loan. The Proposed Transactions allow the Company to restructure and reduce its liabilities and negotiate more favourable terms in relation to the KSR Bonds. In particular, the KSR Bonds shall be issued by KSR, instead of the Company, and shall be unsecured.

6. FINANCIAL EFFECTS OF THE PROPOSED TRANSACTIONS

6.1 The *pro forma* financial effects of the Proposed Transactions are presented for illustration only and are not intended to reflect the actual future financial situation of the Company after the completion of the Proposed Transactions. These illustrative pro forma financial effects have been computed based on the Group's latest audited consolidated financial results for the financial year ended 31 December 2017 ("**FY2017**") and do not take into account any transaction expenses incurred in connection with the Proposed Transactions.

6.2 **Share Capital**

	Number of Shares (excluding treasury shares)
Before the Proposed Transactions (1)	515,601,215
After completion of the Proposed Transactions (1)	515,601,215

Note:

(1) Based on 515,601,215 ordinary shares ("**Shares**") (excluding 8,639,000 treasury shares) in issue as at the date of this announcement.

6.3 **Earnings per Share ("EPS")**

Assuming that the Proposed Transactions had been completed on 1 January 2017, the effect of the Proposed Transactions on the Group's EPS for FY2017 will be as follows:

	EPS (cents)
Before the Proposed Transactions [(1)]	(3.5)
After completion of the Proposed Transactions [(1)]	(3.2)

Note:

(1) Based on 515,601,215 Shares in issue as at the date of this announcement and assuming the waiver of the accrued interest and redemption premium due on the KSE Bonds will generate a realised gain of S$2.0 million.

6.4 **Net Tangible Assets ("NTA")**

Assuming that the Proposed Transactions had been completed on 31 December 2017, the effect of the Proposed Transactions on the Group's NTA per Share as at 31 December 2017 will be as follows:

	Group (as at 31 December 2017)
As reported	
NTA (S$ 000'000)	52.2
NTA per Share (cents) [(1)]	10.1
After completion of the Proposed Transactions	
Adjusted NTA (S$000'000)	54.2
Adjusted NTA per Share (cents) [(1)]	10.5

Note:

(1) Based on 515,601,215 Shares in issue as at the date of this announcement and assuming the waiver of the accrued interest and redemption premium due on the KSE Bonds will generate a realised gain of S$2.0 million.

7. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed herein or in the Previous Announcements, none of the Directors or controlling Shareholders have any interests, direct or indirect, in the Proposed Transactions, other than

through each of their respective interest in the shares, bonds or warrants, direct and/or indirect, in the Company.

8. FURTHER ANNOUNCEMENTS

Further announcements on the Proposed Transactions will be made in due course as and when appropriate.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the KSE Bond Purchase Agreement, the KSR Bond Subscription Agreement and the accompanying terms and conditions of the KSR Bonds are available for inspection during normal business hours from 9.00 a.m. to 5.00 p.m. at the Company's registered office at 19 Jurong Port Road Singapore 619093 for a period of three (3) months from the date of this announcement.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have delegated detailed supervision of the announcement) have individually and collectively reviewed and approved the issue of this announcement, and have taken all reasonable care to ensure that the facts stated and all opinions expressed in this announcement are fair and accurate in all material aspects and that no material facts have been omitted from this announcement which would make any statement in this announcement misleading, and they jointly and severally accept responsibility accordingly. Where any information contained in this announcement has been extracted from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from these sources.

11. TRADING CAUTION

Shareholders and potential investors of the Company are advised to read this announcement, the Previous Announcements, and any further announcements by the Company carefully. Shareholders of the Company are advised to refrain from taking any action in respect of their securities in the Company which may be prejudicial to their interests, and to exercise caution when dealing in the securities of the Company. In the event of any doubt, shareholders of the Company should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Lai Kuan Loong Victor
Company Secretary
19 October 2018

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