
Financial Statement and Dividend Announcement for the Period Ended 31 March 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 (1st Quarter)		Increase/ (Decrease)
	3 months ended		
	31.03.2017	31.03.2016	
	\$'000	\$'000	
Revenue	5,756	8,849	(35.0%)
Cost of sales	(12,624)	(20,124)	(37.3%)
Gross loss	(6,868)	(11,275)	(39.1%)
Other income	688	174	295.4%
Administrative expenses	(4,566)	(5,283)	(13.6%)
Other operating expenses	(3,368)	(1,643)	105.0%
Results from operating activities	(14,114)	(18,027)	(21.7%)
Finance income	1,580	1,323	19.4%
Finance costs	(4,537)	(5,148)	(11.9%)
Share of results of joint ventures (net of tax)	(3,024)	(6,125)	(50.6%)
Loss before tax	(20,095)	(27,977)	(28.2%)
Income tax credit / (expense)	143	(236)	N/M
Loss for the period	(19,952)	(28,213)	(29.3%)
Results attributable to:			
Owners of the Company	(16,874)	(23,734)	(28.9%)
Non-controlling interests	(3,078)	(4,479)	(31.3%)
Loss for the period	(19,952)	(28,213)	(29.3%)

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 (1st Quarter)		Increase/ (Decrease)
	<u>3 months ended</u>		
	<u>31.03.2017</u>	<u>31.03.2016</u>	
	\$'000	\$'000	
Amortisation of intangible assets	(50)	(58)	(13.8%)
Depreciation of plant and equipment	(7,195)	(9,577)	(24.9%)
Finance costs on convertible bonds	(1,480)	(1,766)	(16.2%)
Interest expense on loans	(3,057)	(3,382)	(9.6%)
Plant and equipment written off	-	(1)	N/M
Impairment loss on loan to a joint venture	(3,031)	-	N/M
Foreign exchange gain (net)	681	123	453.7%
Adjustments for over or (under) provision of tax in respect of prior years	355	(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	
	31.03.2017 \$'000	31.12.2016 \$'000	31.03.2017 \$'000	31.12.2016 \$'000
Current Assets				
Cash and cash equivalents	8,212	8,754	81	290
Amounts due from subsidiaries	-	-	103	222
Amounts due from joint ventures	1	1	-	-
Trade receivables	10,672	8,289	-	-
Contract work in progress	16	20	-	-
Inventories	232	240	-	-
Other assets	12,907	16,763	79	76
Asset held for sale	2,515	2,604	-	-
	34,555	36,671	263	588
Non-Current Assets				
Joint ventures	39,756	42,780	42,780	42,780
Amounts due from joint ventures	33,065	35,677	-	-
Subsidiaries	-	-	106,660	122,297
Plant and equipment	426,278	448,446	278	333
Intangible assets and goodwill	261	320	-	-
Other assets	944	968	301	301
Deferred tax assets	1,184	1,225	-	-
	501,488	529,416	150,019	165,711
Total assets	536,043	566,087	150,282	166,299
Current Liabilities				
Bank overdraft	2,209	3,434	-	-
Trade and other payables	28,177	25,966	4,436	3,430
Amounts due to joint ventures	122	44	103	32
Amounts due to subsidiaries	-	-	20,066	20,529
Provision for current tax	9,457	9,880	1,182	1,182
Financial liabilities	87,250	85,544	75,600	74,862
	127,215	124,868	101,387	100,035
Non-Current Liabilities				
Trade and other payables	502	540	-	-
Financial liabilities	335,912	343,124	-	-
Deferred tax liabilities	12	12	-	-
Provision for loss from joint venture	10,137	10,496	-	-
	346,563	354,172	-	-
Total liabilities	473,778	479,040	101,387	100,035
Net assets	62,265	87,047	48,895	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	(12,931)	(9,045)	-	-
Other reserve	(3,750)	(3,750)	-	-
Accumulated losses	(298,396)	(281,522)	(302,398)	(285,029)
	36,216	56,976	48,895	66,264
Non-controlling interests	26,049	30,071	-	-
Total equity	62,265	87,047	48,895	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 31.03.2017 \$'000	Group 31.12.2016 \$'000
Secured	11,452	10,682
Unsecured	75,798	74,862
Total	<u>87,250</u>	<u>85,544</u>

Amount repayable after one year	Group 31.03.2017 \$'000	Group 31.12.2016 \$'000
Secured	330,912	343,124
Unsecured	5,000	-
Total	<u>335,912</u>	<u>343,124</u>

Amount repayable in total	Group 31.03.2017 \$'000	Group 31.12.2016 \$'000
Secured	342,364	353,806
Unsecured	80,798	74,862
Total	<u>423,162</u>	<u>428,668</u>

Included in unsecured loans repayable within one year as at 31 March 2017 is an amount of \$13,539,000 relating to a loan 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	
	<u>31.03.2017</u>	<u>31.03.2016</u>
	\$'000	\$'000
<u>Operating activities</u>		
Loss before tax	(20,095)	(27,977)
Adjustments for:		
Amortisation of intangible assets	50	58
Depreciation of plant and equipment	7,195	9,577
Impairment loss on loan to a joint venture	3,031	-
Interest income	(1,580)	(1,323)
Interest expense	3,057	3,382
Finance cost on convertible bonds	1,480	1,766
Plant and equipment written off	-	(1)
Share of results of joint ventures	3,024	6,125
Operating loss before changes in working capital	<u>(3,838)</u>	<u>(8,393)</u>
Changes in working capital:		
Inventories	4	841
Trade receivables	(3,093)	10,844
Other assets	3,336	(1,272)
Trade and other payables	1,588	1,584
Cash (used in)/from operations	<u>(2,003)</u>	<u>3,604</u>
Tax refund/(paid)	13	(1,153)
Net cash (used in)/from operating activities	<u>(1,990)</u>	<u>2,451</u>
<u>Investing activities</u>		
Increase of non-trade receivables with joint ventures and related parties	(119)	(28,269)
Interest received	16	58
Payments for purchase of plant and equipment	(189)	(449)
Net cash used in investing activities	<u>(292)</u>	<u>(28,660)</u>
<u>Financing activities</u>		
Repayment of bills payable to bank	-	(814)
Decrease in deposits pledged	1,089	2,529
Interest paid on borrowings	(1,741)	(4,787)
Proceeds from bank loans	4,983	45,245
Repayment of bank loans	(419)	(20,873)
Loan from related parties	398	2,849
Payment of transaction costs	(27)	-
Net cash from financing activities	<u>4,283</u>	<u>24,149</u>
Net increase/(decrease) in cash and cash equivalents	2,001	(2,060)
Cash and cash equivalents at beginning of the year	2,408	15,869
Effect of exchange rate changes on balances held in foreign currencies	(228)	(1,157)
Cash and cash equivalents at end of the year	<u>4,181</u>	<u>12,652</u>
Cash and cash equivalents at end of the year includes the following:		
Cash and cash equivalents	8,212	13,676
Bank overdraft	(2,209)	-
Cash and cash equivalents (net)	<u>6,003</u>	<u>13,676</u>
Deposits pledged	(1,822)	(1,024)
Cash and cash equivalents at end of the year	<u>4,181</u>	<u>12,652</u>

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

1(d) Statement of Comprehensive Income

	Group (1st Quarter)		Increase/ (Decrease)
	3 months ended		
	31.03.2017	31.03.2016	
	\$'000	\$'000	%
Loss attributable to:			
Owners of the Company	(16,874)	(23,734)	(28.9)
Non-controlling interests	(3,078)	(4,479)	(31.3)
Loss for the period	(19,952)	(28,213)	(29.3)
Other comprehensive expense for the period:			
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(4,830)	(10,065)	(52.0)
Other comprehensive expense for the period	(4,830)	(10,065)	(52.0)
Total comprehensive expense for the period	(24,782)	(38,278)	(35.3)
Total comprehensive expense attributable to:			
Owners of the Company	(20,760)	(31,825)	(34.8)
Non-controlling interests	(4,022)	(6,453)	(37.7)
Total comprehensive expense for the period	(24,782)	(38,278)	(35.3)

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	-	-	-	-	-	(16,874)	(16,874)	(3,078)	(19,952)
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	-	-	-	(3,886)	-	-	(3,886)	(944)	(4,830)
Total other comprehensive expense	-	-	-	(3,886)	-	-	(3,886)	(944)	(4,830)
Total comprehensive expense for the period	-	-	-	(3,886)	-	(16,874)	(20,760)	(4,022)	(24,782)
At 31 March 2017	359,973	17,685	(26,365)	(12,931)	(3,750)	(298,396)	36,216	26,049	62,265
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	-	-	-	-	-	(23,734)	(23,734)	(4,479)	(28,213)
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	-	-	-	(8,091)	-	-	(8,091)	(1,974)	(10,065)
Total other comprehensive expense	-	-	-	(8,091)	-	-	(8,091)	(1,974)	(10,065)
Total comprehensive expense for the period	-	-	-	(8,091)	-	(23,734)	(31,825)	(6,453)	(38,278)
At 31 March 2016	359,973	17,685	(26,365)	(19,329)	(3,750)	(197,829)	130,385	42,111	172,496

<u>Company</u>	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	-	-	-	(17,369)	(17,369)
Total comprehensive expense for the period	-	-	-	(17,369)	(17,369)
At 31 March 2017	359,973	17,685	(26,365)	(302,398)	48,895
At 1 January 2016	359,973	17,685	(26,365)	(192,045)	159,248
Loss for the period	-	-	-	(24,586)	(24,586)
Total comprehensive expense for the period	-	-	-	(24,586)	(24,586)
At 31 March 2016	359,973	17,685	(26,365)	(216,631)	134,662

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

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

As at 31 March 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 March 2017, the Company has \$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 and 21 March 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 June 2017 and the redemption price payable on the amended maturity date, unless previously redeemed, converted or purchased and cancelled, has been increased to 121.75% of the face value.

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 a supplemental agreement relating to the 2015 Bonds pursuant to which the maturity date of the 2015 Bonds will be extended to 21 June 2017 and the redemption price payable on the amended maturity date, unless previously redeemed, converted or purchased and cancelled, will be increased to 107.94% of the face value. As at 31 March 2017, the Company has \$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 31 March 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 31 March 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 March 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 31 March 2017 (31 March 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 31 March 2017 (31 March 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 (1st Quarter)	
	3 months ended	
	<u>31.03.2017</u>	<u>31.03.2016</u>
Earnings per ordinary share:	Cents	Cents
(a) Based on weighted average number of ordinary shares in issue	(3.27)	(4.60)
(b) On a fully diluted basis	(3.27)	(4.60)

The basic and diluted earnings per share for the three months ended 31 March 2017 was calculated by dividing the loss attributable to shareholders of \$16,874,000 (31.03.2016: \$23,734,000) by the weighted average number of shares of 515,601,215 (31.03.2016: 515,601,215) in issue during the financial period.

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

The diluted earnings per share computations have not taken into consideration the effects of 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	
	<u>31.03.2017</u>	<u>31.12.2016</u>	<u>31.03.2017</u>	<u>31.12.2016</u>
	Cents	Cents	Cents	Cents
Net asset value per ordinary share based on existing issued share capital as at the end of the period reported on	<u>7.0</u>	<u>11.1</u>	<u>9.5</u>	<u>12.9</u>

The Group's and the Company's net assets value per ordinary share for the period have been computed based on the number of ordinary shares issued as at 31 March 2017 of 515,601,215 (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 31 March 2017

	Group (1st Quarter)		<u>Change</u>
	<u>3 months ended</u>		
	<u>31.03.2017</u>	<u>31.03.2016</u>	
Revenue by segment	\$'000	\$'000	
Dilling	5,682	7,384	-23.0%
Engineering	74	1,465	-94.9%
	<u>5,756</u>	<u>8,849</u>	<u>-35.0%</u>

Overview

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

Results for the 3-months ended 31 March 2017 ("Q1 2017")

Consolidated revenue was \$5.8 million for Q1 2017, a decrease of \$3.0 million, or 35.0%, below that of \$8.8 million for the three months ended 31 March 2016 ("Q1 2016") mainly due to lower revenue from the Drilling business following the completion of some charter contracts.

Consolidated loss after tax was \$20.0 million for Q1 2017 as compared to the consolidated loss after tax of \$28.2 million for Q1 2016, mainly due to a \$3.9 million smaller loss from operating activities, a \$3.1 million smaller loss from share of results of joint ventures and a \$0.9 million reduction in net finance costs.

Revenue

Revenue from the Drilling business decreased \$1.7 million, or 22.4%, from \$7.4 million for Q1 2016 to \$5.7 million for Q1 2017. The drop in revenue was mainly due to lower fleet utilisation in Q1 2017. Revenue contribution from the Drilling business made up about 98.7% of the Group's consolidated revenue for Q1 2017.

Revenue from the Engineering business decreased \$1.4 million from \$1.5 million for Q1 2016 to \$0.1 million for Q1 2017 due to the completion of projects during FY2016. Revenue contribution from the Engineering business made up about 1.3% of the Group's consolidated revenue Q1 2017.

Gross Loss

The gross loss of \$6.9 million for Q1 2017 was 39.1% lower as compared to the gross loss of \$11.3 million reported for Q1 2016. The smaller gross loss in Q1 2017 was the net result of a \$7.5 million drop in cost of sales and a \$3.0 million drop in revenue. Cost of sales includes certain fixed costs associated with our fleet of rigs such as depreciation which decreased from \$9.3 million in Q1 2016 to \$7.0 million in Q1 2017.

The lower depreciation charge in Q1 2017 was mainly due to the disposal of plant and equipment in the second quarter of 2016.

The gross loss margin decreased from 127.4% in Q1 2016 to 119.3% in Q1 2017.

Other Income

Other income increased from \$0.2 million for Q1 2016 to \$0.7 million for Q1 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 \$0.7 million from \$5.3 million in Q1 2016 to \$4.6 million in Q1 2017 due to reduced staff costs.

Other operating expenses increased \$1.8 million from \$1.6 million in Q1 2016 to \$3.4 million in Q1 2017, mainly due a net increase in allowance for doubtful non-trade receivables of \$3.0 million offset by a \$1.2 million reduction in costs associated with one of our assets under construction.

Finance Income and Costs

Finance income increased \$0.3 million from \$1.3 million in Q1 2016 to \$1.6 million in Q1 2017. The finance income was mainly derived from interest income on loans provided to a joint venture and additional loans have been provided since Q1 2016.

Finance costs decreased \$0.6 million from \$5.1 million in Q1 2016 to \$4.5 million in Q1 2017 due to lower overall interest rates.

Share of results of Joint Ventures

The Group's share of results from joint ventures was a loss of \$3.0 million for Q1 2017 which was 50.6% lower than the loss of \$6.1 million reported for Q1 2016. The loss in Q1 2017 is mainly due to losses recorded by the Distribution business whereas the loss in Q1 2016 also included the Group's share of results from a jointly held drilling rig. The Group's share of results from KS Distribution Pte Ltd and its subsidiaries (the "KS Distribution Group") declined by \$1.1 million from a loss of \$1.9 million for Q1 2016 to a loss of \$3.0 million for Q1 2017.

Tax expense

The tax expense decreased from a tax expenses of \$0.2 million in Q1 2016 to a tax credit of \$0.1 million in Q1 2017 mainly due to the absence of tax credit of 0.2 million arising out of equity option on convertible bond in Q1 2016.

Result Attributable to Shareholders

The result attributable to the owners of the Group was a loss of \$16.9 million for Q1 2017 which was 28.9% lower as compared to the loss of \$23.7 million reported for Q1 2016.

STATEMENT OF FINANCIAL POSITION REVIEW

The Group's total non-current assets decreased from \$529.4 million as at 31 December 2016 to \$501.5 million as at 31 March 2017. Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the rig fleet decreased from \$376.4 million as at 31 December 2016 to \$356.7 million as at 31 March 2017, due to depreciation charges and foreign exchange impacts.

The carrying value of joint ventures decreased 7.0% from \$42.8 million as at 31 December 2016 to \$39.8 million as at 31 March 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 \$39.8 million as at 31 March 2017.

Within non-current assets, amounts due from joint ventures decreased by \$2.6 million to \$33.1 million as at 31 March 2017 from \$35.7 million as at 31 December 2016. The decrease is mainly due to an allowance for impairment loss on loans of \$3.0 million.

Total current assets decreased 5.7% from \$36.7 million as at 31 December 2016 to \$34.6 million as at 31 March 2017. The decrease in current assets was mainly due to lower cash and cash equivalents and other assets, offset with higher trade receivables. Cash and cash equivalents decreased \$0.6 million from \$8.8 million as at 31 December 2016 to \$8.2 million as at 31 March 2017. Other assets decreased \$3.9 million from \$16.8 million as at 31 December 2016 to \$12.9 million as at 31 March 2017. Trade receivables increased \$2.4 million from \$8.3 million as at 31 December 2016 to \$10.7 million as at 31 March 2017 due to the commencement of new charter contracts.

The carrying value of assets held for sale as at 31 March 2017 was \$2.5 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:

	31.03.2017	31.12.2016	Movement
	\$'000	\$'000	\$'000
Detailed breakdown:			
Sundry deposits	560	210	350
Withholding tax recoverable	3,860	3,892	(32)
Value-added tax receivable	4,534	8,359	(3,825)
Deferred operating expenses	2,830	2,396	434
Other debtors	678	1,289	(611)
Prepayments	445	617	(172)
Other Current Assets	12,907	16,763	(3,856)

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

Total liabilities decreased \$5.2 million, or 1.1%, from \$479.0 million as at 31 December 2016 to \$473.8 million as at 31 March 2017. This was principally attributable to a \$5.5 million decrease in total borrowings from \$428.7 million as at 31 December 2016 to \$423.2 million as at 31 March 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 31 March 2017 and the bank overdraft decreased \$1.2million from \$3.4 million as at 31 December 2016 to \$2.2 million as at 31 March 2017.

As at 31 March 2017, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of \$92.7 million and \$101.1 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. As previously detailed in the announcement made by the Company on 31 March 2017 and in the 2016 Annual Report in respect of the financial statements for the period ended 31 December 2016, the financial statements for the period ended 31 March 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 cash flow to remain negative 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 Group is currently in negotiations with the bondholders and a shareholder to restructure some of its debts by rolling over an aggregated outstanding sum of \$74,862,000, comprising \$61,560,000 of outstanding convertible bonds and \$13,302,000 of shareholder loan, together with the cumulative accrued interest and bond premium, to be repayable more than twelve months from the reporting date, without triggering cross default clauses on other borrowings of \$343,124,000, currently classified as non-current liabilities, causing them to become repayable on demand.

The Group has capital commitments of \$236.4 million as at 31 March 2017 for an asset under construction due on 31 December 2017. The Group plans to seek the necessary financing closer to the date of delivery.

The Group's net gearing (defined as net borrowings to total equity) increased to 6.70 as at 31 March 2017 from 4.86 as at 31 December 2016. Similarly, the Group's debt ratio (defined as net borrowings to total assets) increased to 0.78 as at 31 March 2017 from 0.75 as at 31 December 2016.

The equity attributable to the owners of the Company decreased \$20.8 million from \$57.0 million as at 31 December 2016 to \$36.2 million as at 31 March 2017. The decrease was mainly due to the loss after tax and non-controlling interests during Q1 2017 and foreign exchange translation losses.

Secured current borrowings increased \$0.8 million from \$10.7 million as at 31 December 2016 to \$11.5 million as at 31 March 2017 whereas secured non-current borrowings decreased \$12.2 million from \$343.1 million as at 31 December 2016 to \$330.9 million as at 31 March 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 \$75.8 million as at 31 March 2017. Included within unsecured current borrowings as at 31 March 2017 is an amount of \$62.3 million in respect of the 2013 Bonds and the 2015 Bonds; plus \$13.5 million of loans from a related party.

Unsecured non-current borrowings increased from \$0.0 million as at 31 December 2016 to \$5.0 million as at 31 March 2017 due to the drawdown of an additional credit facility in Q1 2017.

STATEMENT OF CASH FLOWS REVIEW

As at 31 March 2017, cash and cash equivalents less the bank overdraft amounted to \$6.0 million (31 March 2016: \$13.7 million), of which unpledged cash and cash equivalents amounted to \$4.2 million (31 March 2016: \$12.7 million).

Cash Flow from Operating Activities

Operating activities incurred a net cash outflow of \$2.0 million for the three months ended 31 March 2017. The net cash outflow due to operating activities comprised a cash outflow of \$3.8 million arising due to an operating loss before changes in working capital; a cash inflow of \$1.8 million arising due to changes in working capital, driven mainly by the \$3.9 million drop in value-added tax receivable following the receipt of certain amounts due to our operations in Indonesia.

Cash Flow from Investing Activities

The net cash flow from investing activities amounted to an outflow of \$0.3 million for the three months ended 31 March 2017. This was attributable mainly to an increase in non-trade receivables from joint ventures and related parties which incurred a cash outflow of \$0.1 million and the purchase of plant and equipment which incurred a cash outflow of \$0.2 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an inflow of \$4.3 million for the three months ended 31 March 2017. The aggregate repayment of bank loans during Q1 2017 amounted to \$0.4 million and the aggregate proceeds from new bank loans entered into during Q1 2017 totalled \$5.0 million. A net cash inflow of \$0.4 million was generated from the execution of loans from related parties. Interest paid during Q1 2017 generated a cash outflow of \$1.7 million. The reduction of deposits pledged generated a cash inflow of \$1.1 million in Q1 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 Q1 2017 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 24 February 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/recommendeded, a statement to that effect

No dividend has been declared/recommendeded for the current financial reporting period.

the announcement dated 1 March 2016 for more details) and the principal amount outstanding as at 31 March 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 Last Practical Date was US\$37.5 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\$37.5 million balance is US\$0.2 million that has been advanced during the current financial year to 31 March 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
12 May 2017

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

We, Mr Kris Wiluan and Soh Gim Teik, being Directors of KS Energy Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the period ended 31 March 2017 to be false or misleading in any material aspect.

On behalf of the Board of Directors

KRIS TAENAR WILUAN
Executive Chairman and Chief Executive Officer

SOH GIM TEIK
Director

Singapore, 12 May 2017