KS ENERGY LIMITED
An Integrated Energy Services Hub

RESPONSE TO SGX-ST'S QUERIES ON THE COMPANY'S UNAUDITED FINANCIAL STATEMENT AND DIVIDEND ANNOUNCEMENT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

The Board of Directors (the "**Board**") of KS Energy Limited (the "**Company**", together with its subsidiaries, the "**Group**") would like to respond to the questions raised by the SGX-ST on 15 March 2018 in relation to the Company's announcement of the unaudited Financial Statement and Dividend for the financial year ended 31 December 2017 (the "**Results Announcement**") released to the SGX-ST on 28 February 2018 as follows:

SGX-ST'S QUESTIONS:

1. We note that the Company stated in page 2 of the Results Announcement that the increase in "other income" was "mainly due to higher write backs of impairment losses on joint ventures". Please elaborate on the basis for the said write backs.

   Company's Reponses to question 1:

   An additional comment regarding "other income" is included on page 14 of the Results Announcement and is copied below:

   "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."

   The Company evaluates whether there is any objective evidence that investments in joint ventures are impaired and determines the amount of impairment loss based on the recoverable amounts of the joint ventures. The write backs of impairment losses on joint ventures results from the change in impairment losses in respect of the investments in joint ventures during the year.

   The following table summarises the carrying amounts of the joint ventures in the statements of financial position for the Group as at 31 December 2017 and 31 December 2016.

	31-Dec-2017 $'000	31-Dec-2016 $'000	Change $'000
Investment in joint ventures	116,082	130,120	(14,038)
Impairment losses	(77,336)	(87,340)	10,004
Carrying amounts	38,746	42,780	(4,034)

   The recoverable amount of joint ventures was assessed to be $38.7 million (2016: $42.8 million) and was based on their expected fair value less costs to sell. As a result, after equity-accounting for the Group's share of results from joint ventures, impairment losses of $10.0 million (2016: $4.2 million) were written back and initially classified as "Other income" in the Results Announcement but subsequently reclassified to "Other operating expenses".

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2. We note that the Company stated in page 2 of the Results Announcement that the increase in "finance income" was "mainly due to a $17.1 million gain on redemption of convertible bonds recorded in FY2017". Please provide details of the said gain.

Company's Responses to question 2:

An additional comment regarding "finance income" is included on page 15 of the Results Announcement and is copied below:

"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."

Details on the redemption of convertible bonds is provided on page 5 of the Results Announcement and is copied below:

"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."

Further details on the redemption of convertible bonds is provided on pages 10 & 11 of the Results Announcement:

"The 2013 Bonds were redeemed on 8 December 2017 at par (please refer to the announcement dated 8 December 2017 for more details) ... The 2015 Bonds were redeemed on 8 December 2017 at par."

The gain on redemption of convertible bonds recorded in FY2017 was recorded as the 2013 Bonds and 2015 Bonds were redeemed at par whilst their carrying values were above par.

BY ORDER OF THE BOARD
KS ENERGY LIMITED

Victor Lai Kuan Loong
Company Secretary

02 April 2018

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