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

Financial Statement and Dividend Announcement for the Period Ended 30 June 2020

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENT OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group (2nd Quarter) 3 months ended			Group (Year-to-date) 6 months ended		
	30.06.2020 $'000	30.06.2019 $'000	Increase/ (Decrease)	30.06.2020 $'000	30.06.2019 $'000	Increase/ (Decrease)
Revenue	9,511	5,786	64.4%	18,185	10,479	73.5%
Cost of sales	(9,718)	(11,720)	(17.1%)	(20,594)	(23,009)	(10.5%)
Gross loss	**(207)**	**(5,934)**	**(96.5%)**	**(2,409)**	**(12,530)**	**(80.8%)**
Other income	49	(38)	N/M	50	510	(90.2%)
Administrative expenses	(1,306)	(3,551)	(63.2%)	(3,927)	(6,874)	(42.9%)
Other operating expenses	(401)	(50,848)	(99.2%)	(4,698)	(51,090)	(90.8%)
Impairment loss on trade receivables	(7)	–	N/M	(7)	–	N/M
Impairment loss on amounts due from a joint venture	(2,758)	–	N/M	(6,759)	–	N/M
Impairment loss on investment in a joint venture	–	–	N/M	(68)	–	N/M
Results from operating activities	**(4,630)**	**(60,371)**	**(92.3%)**	**(17,818)**	**(69,984)**	**(74.5%)**
Finance income	1,538	3,522	(56.3%)	2,983	3,556	(16.1%)
Finance costs	(2,680)	(2,743)	(2.3%)	(5,232)	(6,256)	(16.4%)
Loss before tax	**(5,772)**	**(59,592)**	**(90.3%)**	**(20,067)**	**(72,684)**	(72.4%)
Income tax expense	(168)	(181)	(7.2%)	(342)	(393)	(13.0%)
Loss for the period	**(5,940)**	**(59,773)**	**(90.1%)**	**(20,409)**	**(73,077)**	**(72.1%)**
Results attributable to:						
Owners of the Company	**(4,569)**	**(47,190)**	**(90.3%)**	**(16,028)**	**(57,538)**	**(72.1%)**
Non-controlling interests	(1,371)	(12,583)	(89.1%)	(4,381)	(15,539)	(71.8%)
Loss for the period	**(5,940)**	**(59,773)**	**(90.1%)**	**(20,409)**	**(73,077)**	**(72.1%)**

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

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

	Group (2nd Quarter) 3 months ended			Group (Year-to-date) 6 months ended		
	30.06.2020 $'000	30.06.2019 $'000	Increase/ (Decrease)	30.06.2020 $'000	30.06.2019 $'000	Increase/ (Decrease)
Amortisation of intangible assets	–	–	N/M	–	(1)	N/M
Depreciation of plant and equipment	(5,263)	(7,271)	(27.6%)	(10,436)	(14,556)	(28.3%)
Finance costs on secured bonds	(113)	(106)	6.6%	(228)	(943)	(75.8%)
Interest expense on borrowings	(2,567)	(2,637)	(2.7%)	(5,004)	(5,313)	(5.8%)
Gain on repurchasing secured bonds	–	3,504	N/M	–	3,504	N/M
Impairment loss on plant and equipment	–	–	N/M	(3,076)	–	N/M
Assets under construction written off	–	(54,974)	N/M	–	(54,974)	N/M
Foreign exchange gain/(loss) (net)	252	49	>100%	(899)	(106)	>100%
Gain/(Loss) on disposal of plant and equipment	20	(38)	N/M	20	510	(96.1%)
Impairment loss on trade receivables	(7)	–	N/M	(7)	–	N/M
Impairment loss on amounts due from a joint venture	(2,758)	–	N/M	(6,759)	–	N/M
Impairment loss on investment in a joint venture	–	–	N/M	(68)	–	N/M
Reversal of provision related to assets under construction	–	4,179	N/M	–	4,179	N/M
Adjustments for (under)/over provision of tax in respect of prior years	–	30	N/M	(17)	30	N/M

N/M – Not Meaningful

See paragraph 8 for more explanation on the income statement review

1(b) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	30.06.2020 $'000	31.12.2019 $'000	30.06.2020 $'000	31.12.2019 $'000
Current assets				
Cash and cash equivalents	2,959	2,457	95	24
Amounts due from subsidiaries	–	–	64	311
Trade receivables	8,258	3,903	–	–
Contract assets	751	9,942	–	–
Inventories	3,251	4,313	–	–
Other assets	5,571	5,586	17	31
	20,790	**26,201**	**176**	**366**
Non-current assets				
Amounts due from a joint venture	18,948	–	–	–
Plant and equipment	254,943	282,209	–	1
Other assets	135	671	–	–
Deferred tax assets	498	548	–	–
	274,524	**283,428**	**–**	**1**
Total assets	**295,314**	**309,629**	**176**	**367**
Equity attributable to owners of the Company				
Share capital	390,942	390,942	390,942	390,942
Equity reserve	18,007	18,007	18,007	18,007
Treasury shares	(26,365)	(26,365)	(26,365)	(26,365)
Foreign currency translation reserve	(7,801)	(6,590)	–	–
Other reserve	(3,750)	(3,750)	–	–
Accumulated losses	(448,258)	(432,238)	(411,056)	(409,775)
	(77,225)	**(59,994)**	**(28,472)**	**(27,191)**
Non-controlling interests	(17,115)	(11,604)	–	–
Total equity	**(94,340)**	**(71,598)**	**(28,472)**	**(27,191)**
Current liabilities				
Bank overdraft	3,863	3,659	–	–
Trade and other payables	32,380	25,978	2,104	2,589
Contract liabilities	5	51	–	–
Amounts due to a joint venture	70	–	–	–
Amounts due to subsidiaries	–	–	21,213	1,852
Provision for current tax	3,277	3,136	–	–
Financial liabilities	345,350	13,577	5,331	5,171
Lease liabilities	137	88	–	–
	385,082	**46,489**	**28,648**	**9,612**
Non-current liabilities				
Trade and other payables	710	8,751	–	–
Amounts due to subsidiaries	–	–	–	17,946
Financial liabilities	3,474	324,667	–	–
Lease liabilities	388	309	–	–
Deferred tax liabilities	–	1,011	–	–
	4,572	**334,738**	–	**17,946**
Total liabilities	**389,654**	**381,227**	**28,648**	**27,558**
Total equity and liabilities	**295,314**	**309,629**	**176**	**367**

See paragraph 8 for more explanation on the balance sheet review

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

Amount repayable in one year or less, or on demand	Group 30.06.2020 $'000	Group 31.12.2019 $'000
Secured	335,350	10,356
Unsecured	10,000	3,221
Total	345,350	13,577

Amount repayable after one year	Group 30.06.2020 $'000	Group 31.12.2019 $'000
Secured	3,474	317,584
Unsecured	–	7,083
Total	3,474	324,667

Amount repayable in total	Group 30.06.2020 $'000	Group 31.12.2019 $'000
Secured	338,824	327,940
Unsecured	10,000	10,304
Total	348,824	338,244

The Company and 8 subsidiaries have on 6 August 2020 received letters of demand and statutory demand dated 6 August 2020 pursuant to Section 125(2)(a) read with Section 125(1)(e) of the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018) and Section 23(1)(b) of the COVID-19 (Temporary Measures) Act 2020 from Shook Lin & Bok LLP, acting on behalf of Oversea-Chinese Banking Corporation Limited ("OCBC") seeking payment of USD 230,686,893.20; SGD 5,157,662.06; and SGD 5,161,942.05 outstanding as at 31 July 2020 within seven (7) days of the date of the letter (the "Letters of Demand").

The outstanding amount of USD 230,686,893.20 relates to a secured loan originally borrowed in 2010 by our principal subsidiary KS Drilling Pte Ltd ("KS Drilling") secured on plant and equipment and with a corporate guarantee by the Company of up to USD 150,000,000. The secured loan was subject to an in-principal debt moratorium which ended on 31 July 2020. The outstanding amount of SGD 5,157,662.06 relates to an unsecured bridging loan borrowed in 2017 by KS Drilling with a corporate guarantee by the Company of up to SGD 5,000,000. The outstanding amount of SGD 5,161,942.05 relates to an unsecured bridging loan borrowed in 2017 by a subsidiary of KS Drilling with a corporate guarantee by KS Drilling of up to SGD 5,000,000. With the Letters of Demand, the Company is unable to reasonably assess its financial position. Please refer to the announcements dated 12 August 2020 for more details. The Company has therefore classified all outstanding amounts pursuant to the facilities mentioned in the Letters of Demand as repayable in one year or less, or on demand.

Included in secured borrowings repayable in one year or less as at 30 June 2020 were fixed rate secured bonds due in December 2020 that were issued by the Company on 8 December 2017 (the "2017 Bonds"). The carrying value of the 2017 Bonds was $5,331,000 (31 December 2019: $5,171,000, included in secured borrowings repayable after one year).

Included in unsecured borrowings repayable in one year or less as at 31 December 2019 was an amount of $304,000 relating to loans from related parties. Since 1 January 2020, the borrowing entity was equity accounted as a joint venture and no longer consolidated in the financial statements of the Group.

Details of the collaterals:

Secured bank loans are secured on plant and equipment, pledged cash deposits and corporate guarantees by the Company, including up to US$150.0 million and up to S$5.0 million in favour of OCBC. Provisions have not been made as at 30 June 2020 as the amount of the corporate guarantee obligations to OCBC cannot be measured with sufficient reliability at present. The 2017 Bonds are secured by a share charge in respect of a portion of the Company’s shares in a subsidiary of the Group, 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 (6 months ended)	
	30.06.2020	30.06.2019
	$'000	$'000
Operating activities		
Loss before tax	(20,067)	(72,684)
Adjustments for:		
Amortisation of intangible assets	–	1
Depreciation of plant and equipment	10,436	14,556
Impairment loss on plant and equipment	3,076	–
Gain on disposal of plant and equipment	(20)	(510)
Impairment loss on trade receivables	7	–
Impairment loss on amounts due from a joint venture	6,759	–
Impairment loss on investment in a joint venture	68	–
Assets under construction written off	–	54,974
Finance income	(2,983)	(3,556)
Finance costs	5,004	5,313
Finance costs on secured bonds	228	943
Unrealised foreign exchange (gain)/loss	700	(169)
Operating profit/(loss) before changes in working capital	3,208	(1,132)
Changes in working capital:		
- contract assets	1,954	(1,336)
- trade receivables	(4,362)	(1,366)
- other assets	(47)	(577)
- trade and other payables	410	(3,401)
- contract liabilities	(46)	114
Cash from/ (used in) operating activities	**1,117**	**(7,698)**
Taxes refund/(paid)	50	(149)
Net cash from/ (used in) operating activities	**1,167**	**(7,847)**
Investing activities		
Proceeds from non-trade net receivables with a joint venture	1,118	–
Interest received	7	52
Acquisition of plant and equipment	(75)	(1,628)
Proceeds from disposal of plant and equipment	75	716
Disposal of subsidiaries, net of cash disposed	(202)	–
Net cash from/ (used in) investing activities	**923**	**(860)**
Financing activities		
Decrease in deposits pledged	34	289
Interest paid on borrowings	(291)	(1,227)
Repayment of bank loans	(1,134)	(1,278)
Repayment of lease liabilities	(77)	–
Payment of transaction costs of bank loans	–	(15)
Net cash used in financing activities	**(1,468)**	**(2,231)**

Net increase/(decrease) in cash and cash equivalents	**622**	**(10,938)**
Cash and cash equivalents at beginning of the year	(1,492)	10,005
Effect of exchange rate fluctuations on cash held in foreign currencies	(291)	91
Cash and cash equivalents at end of the period	**(1,161)**	**(842)**
Cash and cash equivalents at end of the period includes the following:		
Cash and cash equivalents	2,959	4,534
Bank overdraft	(3,863)	(3,584)
Cash and cash equivalents (net)	(904)	950
Deposit pledged	(257)	(1,792)
Cash and cash equivalents at end of the period	**(1,161)**	**(842)**

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

1(d) Statement of Comprehensive Income

	Group (Year-to-date) 6 months ended		
	30.06.2020 $'000	**30.06.2019 $'000**	**Increase/ (Decrease) %**
Loss attributable to:			
Owner of the Company	(16,028)	(57,538)	(72.1%)
Non-controlling interests	(4,381)	(15,539)	(71.8%)
Loss for the period	**(20,409)**	**(73,077)**	(72.1%)
Other comprehensive income for the period:			
Defined benefit plan remeasurements	10	–	N/M
Foreign currency translation differences on translation of financial statements of foreign subsidiaries	(1,679)	173	N/M
Other comprehensive income for the period	**(1,669)**	**173**	N/M
Total comprehensive income for the period	**(22,078)**	**(72,904)**	(69.7%)
Total comprehensive income attributable to:			
Owners of the Company	(17,231)	(57,362)	(70.0%)
Non-controlling interests	(4,847)	(15,542)	(68.8%)
Total comprehensive income for the period	**(22,078)**	**(72,904)**	(69.7%)

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 $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2020	390,942	18,007	(26,365)	(6,590)	(3,750)	(432,238)	(59,994)	(11,604)	(71,598)
Total comprehensive income for the period									
Loss for the period	–	–	–	–	–	(16,028)	(16,028)	(4,381)	(20,409)
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	–	–	–	(1,211)	–	–	(1,211)	(468)	(1,679)
Defined benefit plan remeasurements	–	–	–	–	–	8	8	2	10
Total other comprehensive income	–	–	–	(1,211)	–	8	(1,203)	(466)	(1,669)
Total comprehensive income for the period	**–**	**–**	**–**	**(1,211)**	**–**	**(16,020)**	**(17,231)**	**(4,847)**	**(22,078)**
Transactions with owners of the Company, recognised directly in equity									
Contributions by owners of the Company									
Disposal of subsidiaries	–	–	–	–	–	–	–	(664)	(664)
Total contributions by owners of the Company	–	–	–	–	–	–	–	(664)	(664)
At 30 June 2020	**390,942**	**18,007**	**(26,365)**	**(7,801)**	**(3,750)**	**(448,258)**	**(77,225)**	**(17,115)**	**(94,340)**

Group	Share capital $'000	Equity reserve $'000	Treasury shares $'000	Foreign currency translation reserve $'000	Other reserve $'000	Accumulated losses $'000	Total attributable to owners of the Company $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2019	359,973	18,007	(26,365)	(7,160)	(3,750)	(351,001)	(10,296)	11,449	1,153
Total comprehensive income for the period									
Loss for the period	–	–	–	–	–	(57,538)	(57,538)	(15,539)	(73,077)
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	–	–	–	176	–	–	176	(3)	173
Total other comprehensive income	–	–	–	176	–	–	176	(3)	173
Total comprehensive income for the period	**–**	**–**	**–**	**176**	**–**	**(57,538)**	**(57,362)**	**(15,542)**	**(72,904)**
Transactions with owners of the Company, recognised directly in equity									
Contributions by and distributions to owners of the Company									
Issue of ordinary shares	30,969	–	–	–	–	–	30,969	–	30,969
Total contributions by and distributions to owners of the Company	30,969	**–**	**–**	**–**	**–**	**–**	30,969	**–**	30,969
At 30 June 2019	**390,942**	**18,007**	**(26,365)**	**(6,984)**	**(3,750)**	**(408,539)**	**(36,689)**	**(4,093)**	**(40,782)**

Company	**Share capital $'000**	**Equity reserve $'000**	**Treasury shares $'000**	**Accumulated losses $'000**	**Total equity $'000**
At 1 January 2020	390,942	18,007	(26,365)	(409,775)	(27,191)
Loss for the period	–	–	–	(1,281)	(1,281)
Total comprehensive income for the period	**–**	**–**	**–**	(1,281)	(1,281)
At 30 June 2020	**390,942**	**18,007**	**(26,365)**	**(411,056)**	**(28,472)**
At 1 January 2019	359,973	18,007	(26,365)	(363,282)	(11,667)
Loss for the period	–	–	–	(45,681)	(45,681)
Total comprehensive income for the period	**–**	**–**	**–**	**(45,681)**	**(45,681)**
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Issue of ordinary shares	30,969	–	–	–	30,969
Total contributions by and distributions to owners of the Company	**30,969**	**–**	**–**	**–**	**30,969**
At 30 June 2019	**390,942**	**18,007**	**(26,365)**	**(408,963)**	**(26,379)**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, 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 2020 to 30 June 2020. The Company did not have any subsidiary holdings as at 30 June 2020 (30 June 2019: Nil) where "subsidiary holdings" has the meaning given to it in the Listing Manual of the SGX-ST.

As at 30 June 2020 and 30 June 2019, the number of ordinary shares in issue was 1,319,112,010 of which 8,639,000 were held by the Company as treasury shares.

Convertible Bonds

As at 30 June 2020 and 30 June 2019, there were no convertible bonds outstanding.

Warrants

As at 30 June 2020 and 30 June 2019, there were no warrants outstanding.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 30 June 2020 and 31 December 2019, the share capital of the Company, less treasury shares, was 1,310,473,010 ordinary shares (1,319,112,010 issued ordinary shares less 8,639,000 treasury shares).

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no sales, transfers, cancellation and/or use of treasury shares as at 30 June 2020.

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 during the 6-months ended 30 June 2020.

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 modifications or emphasis of a matter).

Not applicable.

3A. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion:

(a) Updates on the efforts taken to resolve each outstanding audit issue.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

This is not required for any audit issue that is a material uncertainty relating to going concern.

Not applicable as the latest audited financial statements for the financial year ended 31 December 2019 was subject to a disclaimer of opinion in relation to the validity of the going concern assumption.

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 2019.

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 (International) (SFRS(I)s) and related Interpretations ("SFRS(I)s INT") that are relevant to its operations and effective for annual periods beginning on or after 1 January 2020. The adoption of these new/revised SFRS(I)s and SFRS(I)s INT does not result in changes to the Group's accounting policies and has no material effect on the financial statements.

The Group reclassified non-current borrowings of $329,086,000 as at 30 June 2020 to current borrowings following the event described in paragraph 1(b)(i).

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 months ended		6 months ended	
	30.06.2020	**30.06.2019**	**30.06.2020**	**30.06.2019**
Loss per share attributable to owners of the Group:				
(a) Based on weighted average number of ordinary shares in issue (cents per share)	(0.35)	(4.32)	(1.22)	(7.14)
- Weighted average number of shares	1,310,473,010	1,092,101,638	1,310,473,010	805,443,969
(b) On a fully diluted basis (cents per share)	(0.35)	(4.32)	(1.22)	(7.14)
- Weighted average number of shares	1,310,473,010	1,092,101,638	1,310,473,010	805,443,969

The basic and diluted earnings per share for the three months ended 30 June 2020 was calculated by dividing the loss attributable to shareholders of $4,569,000 (30.06.2019: $47,190,000) by the weighted average number of shares in issue during the financial period.

The basic and diluted earnings per share for the six months ended 30 June 2020 was calculated by dividing the loss attributable to shareholders of $16,028,000 (30.06.2019: $57,538,000) by the weighted average number of shares in issue during the financial period.

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	
	30.06.2019	**31.12.2019**	**30.06.2019**	**31.12.2019**
	Cents	Cents	Cents	Cents
Net asset value (excluding non-controlling interests) per ordinary share based on existing issued share capital as at the end of the period reported on	(5.9)	(4.6)	(2.2)	(2.1)

The Group's and the Company's net asset values per ordinary share have been computed based on the 1,310,473,010 ordinary shares issued as at 30 June 2020 (31.12.2019: 1,310,473,010).

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: -

a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and

b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

INCOME STATEMENT REVIEW

Financial period ended 30 June 2020

	Group (2nd Quarter) 3 months ended			Group (Year-to-date) 6 months ended		
	30.06.2020 $'000	30.06.2019 $'000	Change	30.06.2020 $'000	30.06.2019 $'000	Change
Revenue by segment						
Drilling	9,420	5,750	63.8%	18,008	10,443	72.4%
Engineering	91	36	>100%	177	36	>100%
	9,511	5,786	64.4%	18,185	10,479	73.5%

Overview

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

On 1 January 2020, an option for the Group to purchase 20,000 shares of PT KS Drilling Indonesia ("**KSDI**") lapsed, leaving the Group with control over voting rights of 490,000 shares of KSDI, representing 49% of all voting rights. The Group has therefore determined it has joint control over KSDI from 1 January 2020, resulting in KSDI being equity-accounted as a joint venture instead of being consolidated as a subsidiary. KSDI and its subsidiaries is referred to as the "**JVC Group**".

Results for the three months ended 30 June 2020 ("Q2 2020")

The consolidated revenue was $9.5 million for Q2 2020, an increase of $3.7 million, or 64.4%, above that of $5.8 million reported for the three months ended 30 June 2019 ("**Q2 2019**") due to higher revenue from the Drilling segment resulting from higher fleet utilisation following the award of charter contracts.

The consolidated loss after tax was $5.9 million for Q2 2020, a decrease of $53.9 million compared to the consolidated loss after tax of $59.8 million reported for Q2 2019. The lower loss was mainly due to:

i. a $55.8 million lower loss from operating activities which decreased from a $60.4 million loss in Q2 2019 to a $4.6 million loss in Q2 2020 mainly due to the assets under construction written off in Q2 2019; and

ii. a $0.1 million decrease in finance costs from $2.7 million in Q2 2019 to $2.6 million in Q2 2020.

Partially offset by

iii. a $2.0 million decrease in finance income from $3.5 million in Q2 2019 to $1.5 million in Q2 2020 due to a gain on repurchasing secured bonds in Q2 2019 and the interest income on loans provided to joint ventures in Q2 2020 due to KSDI being equity-accounted as a joint venture since 1 January 2020.

Results for the six months ended 30 June 2020 (“6M 2020”)

The consolidated revenue was $18.2 million for 6M 2020, an increase of $7.7 million, or 73.5%, above that of $10.5 million reported for the six months ended 30 June 2019 (“**6M 2019**”) due to higher revenue from the Drilling segment resulting from higher fleet utilisation following the award of charter contracts.

The consolidated loss after tax was $20.4 million for 6M 2020, a decrease of $52.7 million compared to the consolidated loss after tax of $73.1 million reported for 6M 2019. The lower loss was mainly due to:

i. a $52.2 million lower loss from operating activities which decreased from a $70.0 million loss in 6M 2019 to a $17.8 million loss in 6M 2020 mainly due to the assets under construction written off in 6M 2019; and

ii. a $1.1 million decrease in finance costs from $6.3 million in 6M 2019 to $5.2 million in 6M 2020; and

Partially offset by

iii. a $0.6 million decrease in finance income from $3.6 million in 6M 2019 to $3.0 million in 6M 2020 due to a gain on repurchasing secured bonds in 6M 2019 and interest income on loans provided to joint ventures in 6M 2020 due to KSDI being equity-accounted as a joint venture since 1 January 2020.

Revenue

The consolidated revenue was $9.5 million for Q2 2020, an increase of $3.7 million, or 64.4%, above that of $5.8 million for Q2 2019. The consolidated revenue was $18.2 million in 6M 2020, an increase of $7.7 million, or 73.5%, above that of $10.5 million reported for 6M 2019.

Revenue from the Drilling business increased $3.6 million, or 63.8%, from $5.8 million for Q2 2019 to $9.4 million for Q2 2020 and increased $7.5 million, or 72.4%, from $10.5 million for 6M 2019 to $18.0 million for 6M 2020. The higher revenue resulted from higher fleet utilisation following the award of charter contracts. Revenue contribution from the Drilling business made up about 99.0% of the Group’s consolidated revenue for both Q2 2020 and 6M 2020.

Revenue from the Engineering business increased $0.1 million from less than $0.1 million for Q2 2019 to $0.1 million for Q2 2020 and increased $0.2 million from less than $0.1 million for 6M 2019 to $0.2 million for 6M 2020. Revenue contribution from the Engineering business made up about 1.0% of the Group’s consolidated revenue for both Q2 2020 and 6M 2020.

Gross Loss

The gross loss of $0.2 million for Q2 2020 was 96.5% lower than the gross loss of $5.9 million reported for Q2 2019. The lower gross loss in Q2 2020 was the net result of a $3.7 million increase in revenue and a $2.0 million decrease in cost of sales. 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 charges which decreased from $7.2 million in Q2 2019 to $5.2 million in Q2 2020. The lower depreciation charge in Q2 2020 was mainly due to equity accounting KSDI as a joint venture in 2020, impairments and disposals of plant and equipment in FY2019 and some fully depreciated equipment. Cost of sales in Q2 2019 included $0.7 million of mobilisation costs incurred to relocate an onshore drilling rig to Indonesia. All our onshore drilling rigs are now located in Indonesia.

The gross loss margin decreased from 102.6% in Q2 2019 to 2.2% in Q2 2020. Excluding rig depreciation from cost of sales, the adjusted profit margin increased from 21.5% in Q2 2019 to 52.4% in Q2 2020.

The gross loss of $2.4 million for 6M 2020 was 80.8% lower than the gross loss of $12.5 million reported for 6M 2019. The lower gross loss in 6M 2020 was the net result of a $7.7 million increase in revenue and a $2.4 million decrease in cost of sales. 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 charges which decreased from $14.4 million in 6M 2019 to $10.3 million in 6M 2020. The lower depreciation charge in 6M 2020 was mainly due to equity accounting KSDI as a joint venture in 2020, impairments and disposals of plant and equipment in FY2019 and some fully depreciated equipment.

The gross loss margin decreased from 119.6% in 6M 2019 to 13.2% in 6M 2020. Excluding rig depreciation from cost of sales, the adjusted profit margin increased from 17.7% in 6M 2019 to 43.4% in 6M 2020.

Other Income

The breakdown of "other income" is shown below:

	Group (2nd Quarter) 3 months ended			Group (Year-to-date) 6 months ended		
	30.06.2020 $'000	30.06.2019 $'000	Change $'000	30.06.2020 $'000	30.06.2019 $'000	Change $'000
Detailed breakdown:						
Gain/(Loss) on disposal of plant and equipment	**20**	(38)	58	**20**	510	(490)
Scrap sales	**24**	–	24	**24**	–	24
Others	**5**	–	5	**6**	–	6
Other Income	**49**	(38)	87	50	510	(460)

Other income increased from $0.04 million expense for Q2 2019 to $0.05 million income for Q2 2020 and decreased from $0.5 million for 6M 2019 to $0.1 million for 6M 2020. Other income mainly comprised the gain on disposal of plant and equipment, scrap sales and other income not directly related to the revenue generated from our day-to-day operations.

Operating Expenses

Administrative expenses decreased $2.3 million from $3.6 million in Q2 2019 to $1.3 million in Q2 2020 mainly due to reduced staff costs and office related expenses. Administrative expenses decreased $3.0 million from $6.9 million in 6M 2019 to $3.9 million in 6M 2020 mainly due to reduced staff costs and office related expenses.

Other operating expenses decreased $50.4 million from $50.8 million in Q2 2019 to $0.4 million in Q2 2020 mainly due to:

i. A $55.0 million decrease in assets under construction written off which decreased from $55.0 million in Q2 2019 to $0.0 million in Q2 2020 following the termination of the new build contracts (please refer to the announcements dated 17 and 26 June 2019 for more details).

offset by

ii. A $4.2 million decrease in reversal of provision related to assets under construction, which decreased from $4.2 million in Q2 2019 to $0.0 million in Q2 2020.

Impairment loss on amounts due from a joint venture increased $2.8 million from $0.0 million in Q2 2019 to $2.8 million in Q2 2020 due to losses recorded by KSDI, which was being equity-accounted as a joint venture since 1 January 2020.

Other operating expenses decreased $46.4 million from $51.1 million in 6M 2019 to $4.7 million in 6M 2020 mainly due to:

i. A $55.0 million decrease in assets under construction written off which decreased from $55.0 million in 6M 2019 to $0.0 million in 6M 2020 following the termination of the new build contracts (please refer to the announcements dated 17 and 26 June 2019 for more details).

offset by

ii. A $4.2 million decrease in reversal of provision related to assets under construction, which decreased from $4.2 million in 6M 2019 to $0.0 million in 6M 2020;

iii. A $3.1 million increase in impairment losses on plant and equipment which increased from $0.0 million in 6M 2019 to $3.1 million in 6M 2020; and

iv. A $0.8 million increase in foreign exchange losses which increased from $0.1 million in 6M 2019 to $0.9 million in 6M 2020.

Impairment loss on amounts due from a joint venture increased $6.8 million from $0.0 million in 6M 2019 to $6.8 million in 6M 2020 due to losses recorded by KSDI, which was being equity-accounted as a joint venture since 1 January 2020.

Finance Income and Costs

Finance income decreased from $3.5 million in Q2 2019 to $1.5 million in Q2 2020 and decreased from $3.6 million in 6M 2019 to $3.0 million in 6M 2020. The decrease in both Q2 2020 and 6M 2020 was mainly due to a $3.5 million gain on repurchasing secured bonds in Q2 2019 and interest income on loans provided to a joint venture in 2020 as a result of KSDI being equity-accounted as a joint venture since 1 January 2020.

Finance costs decreased from $2.7 million in Q2 2019 to $2.6 in Q2 2020 and decreased $1.1 million from $6.3 million in 6M 2019 to $5.2 million in 6M 2020 due to a reduction in borrowing costs following the repurchasing of the secured bonds.

Tax Expense

The tax expense remained at $0.2 million in both Q2 2019 and Q2 2020 and remained at $0.3 million in both 6M 2019 and 6M 2020.

Result Attributable to Shareholders

The result attributable to Owners of the Company was a loss of $4.6 million for Q2 2020 which was $42.6 million smaller than the loss of $47.2 million reported for Q2 2019.

The result attributable to Owners of the Company was a loss of $16.0 million for 6M 2020 which was $41.5 million smaller than the loss of $57.5 million reported for 6M 2019.

STATEMENT OF FINANCIAL POSITION REVIEW

Assets

The Group's total non-current assets decreased $8.9 million from $283.4 million as at 31 December 2019 to $274.5 million as at 30 June 2020.

Non-current amounts due from a joint venture increased by $18.9 million from $0.0 million as at 31 December 2019 to $18.9 million as at 30 June 2020. The increase was due to KSDI being equity-accounted as a joint venture since 1 January 2020.

Non-current assets mainly comprise plant and equipment in our Drilling business. The carrying value of the drilling rig fleet decreased by $27.3 million from $281.6 million as at 31 December 2019 to $254.3 million as at 30 June 2020 mainly due to KSDI being equity-accounted, depreciation charges of $10.3 million, impairment of plant and equipment of $3.1 million, disposal of plant and equipment of $0.1 million offset by foreign exchange impacts of $9.3 million and transfers from inventories of $1.2 million.

Total current assets decreased $5.4 million from $26.2 million as at 31 December 2019 to $20.8 million as at 30 June 2020. The decrease in current assets was mainly due to lower contract assets and inventories, offset by higher trade receivables and cash and cash equivalents.

Contract assets decreased $9.2 million from $9.9 million as at 31 December 2019 to $0.7 million as at 30 June 2020 mainly due to KSDI being equity-accounted as a joint venture in 2020 and billing to customers.

Inventories decreased $1.0 million from $4.3 million as at 31 December 2019 to $3.3 million as at 30 June 2020 mainly due to transfer of $1.2 million from inventories to plant and equipment offset by foreign exchange impacts of $0.2 million.

Trade receivables increased $4.4 million from $3.9 million as at 31 December 2019 to $8.3 million as at 30 June 2020 mainly due to billing of contract assets to customers, higher revenues and foreign exchange impacts. Impairment testing has been performed on the trade receivables as at 30 June 2020 and a $7,000 impairment loss was recognised, accordingly.

Other current assets remained at $5.6 million as at 31 December 2019 and as at 30 June 2020 (see table for the breakdown).

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

	30.06.2020 $'000	**31.12.2019 $'000**	**Movement $'000**
Detailed breakdown:			
Sundry deposits	**262**	143	119
Withholding tax recoverable	**537**	363	174
Value-added tax receivable	**3,626**	4,030	(404)
Other debtors	**540**	527	13
Advanced payment to supplier	**476**	266	210
Prepayments	**130**	257	(127)
Other Current Assets	**5,571**	**5,586**	**(15)**

These balances mainly originate from our Drilling business and are routine in nature.

Liabilities

Total liabilities increased $8.5 million, or 2.2%, from $381.2 million as at 31 December 2019 to $389.7 million as at 30 June 2020. This was principally attributable to a $10.6 million increase in total borrowings (current and non-current), a $0.2 million increase in bank overdraft and a $0.2 million increase in provision for current tax, offset by a $1.7 million decrease in trade and other payables (current and non-current) and a $1.0 million decrease in deferred tax liabilities.

Total borrowings as at 30 June 2020 and 31 December 2019:

	30.06.2020 $'000	**31.12.2019 $'000**	**Movement $'000**
Current Borrowings - Secured	335,350	10,356	324,994
Non-current Borrowings - Secured	3,474	317,584	(314,110)
Total Borrowings - Secured	338,824	327,940	10,884
Current Borrowings - Unsecured	10,000	3,221	6,779
Non-current Borrowings - Unsecured	–	7,083	(7,083)
Total Borrowings - Unsecured	10,000	10,304	(304)
Total Borrowings	**348,824**	**338,244**	**10,580**

Total borrowings increased by $10.6 million from $338.2 million as at 31 December 2019 to $348.8 million as at 30 June 2020 due to a $10.9 million increase in secured borrowings. The increase in secured borrowings was due to a $11.7 million foreign exchange impact as most of the secured bank loans are denominated in a foreign currency and $0.3 million of deferred finance costs, offset by loan repayments of $1.1 million.

The amount of current borrowings due within the next twelve months increased $331.8 million from $13.5 million as at 31 December 2019 to $345.3 million as at 30 June 2020 mainly due to the reclassification of secured and unsecured loans from non-current to current borrowings following the event as described in paragraph 1(b)(i).

Within current liabilities, trade and other payables increased $6.4 million from $26.0 million as at 31 December 2019 to $32.4 million as at 30 June 2020. The increase was mainly due to an increase in accrued interest expenses of $13.1 million offset by a $2.8 million decrease in accrued operating expenses, a $2.6 million decrease in withholding tax payable and a $1.3 million decrease in trade creditors (all due to KSDI being equity-accounted as a joint venture).

Within non-current liabilities, deferred tax liabilities decreased $1.0 million from $1.0 million as at 31 December 2019 to $0.0 million as at 30 June 2020 due to KSDI being equity-accounted as a joint venture.

Within non-current liabilities, trade and other payables decreased $8.1 million from $8.8 million as at 31 December 2019 to $0.7 million as at 30 June 2020 mainly due to a reclassification of $8.1 million of accrued interest from non-current to current.

Going Concern

As at 30 June 2020, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $364.3 million and $28.5 million respectively. As at 31 December 2019, the Group and Company were in a net current liability position (current liabilities exceeded current assets) of $20.3 million and $9.2 million respectively.

In addition, as at 30 June 2020, the Group and Company were in a net liability position (total liabilities exceeded total assets) of $94.3 million and $28.5 million respectively.

The financial statements for the 6-months ended 30 June 2020 are prepared on a going concern basis, the validity of which is premised on the availability of credit facilities to the Group for at least another twelve months from the reporting date, assuming the recent impasse with its major lender can be remedied (please refer to paragraph 1(b)(i) and the Company's announcement dated 12 August 2020 for more details) and the sufficiency of cash flows to be generated from the Group's operating activities.

STATEMENT OF CASH FLOWS REVIEW

As at 30 June 2020, cash and cash equivalents less the bank overdraft amounted to negative $0.9 (30 June 2019: $1.0 million), of which unpledged cash and cash equivalents amounted to negative $1.2 million (30 June 2018: negative $0.8 million).

Cash Flow from Operating Activities

Operating activities generated a net cash inflow of $1.2 million for the six months ended 30 June 2020. The net cash inflow from operating activities comprised a cash inflow of $3.2 million arising due to operating profit before changes in working capital and a cash inflow of $0.1 million arising due to income tax refunds; offset with a cash outflow of $2.1 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 $0.9 million for the six months ended 30 June 2020. This was mainly due to proceeds from non-trade net receivables with a joint venture which generated a cash inflow of $1.1 million; offset with KSDI being equity-accounted as a joint venture and disposal of a subsidiary which incurred a cash outflow of $0.2 million.

Cash Flow from Financing Activities

The net cash flow from financing activities amounted to an outflow of $1.5 million for the six months ended 30 June 2020. This was mainly due to the repayment of bank loans during 6M 2020 of $1.1 million, the interest paid during 6M 2020 of $0.3 million and the repayment of lease liabilities during 6M 2020 of $0.1 million.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast was made. However, the Group's performance for Q2 2020 was in line with the views expressed in a statement in Paragraph 10 of the Company's previous results announcement dated 26 February 2020.

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 Group expects the market conditions in the oil and gas industry to remain weak in the next twelve months. The weak demand for crude oil globally and an uncertain price outlook puts further pressure on the oil and gas industry. There are expectations that energy prices are likely to remain volatile in the near-term, given the weak demand. We expect our customers, who are national and international oil and gas companies, to adjust their business plans accordingly and reduce exploration and production activities.

The Group remains focused on our existing customers and is closely monitoring oil and gas projects both onshore and offshore and the regulations to reduce people movements and interactions to stem the spread of COVID-19 in Singapore, Indonesia, Vietnam and Egypt.

The Group has put in place cost-saving measures in varying degrees on different cost elements, starting with salary adjustments, including significant reductions in the pay of senior executives, from the month of March. Whether these measures are scaled up or extended in time would depend on how the situation develops as the pandemic is highly uncertain in terms of the length and depth of its economic impact.

The Group will continue to review the carrying amounts of the Group's non-financial assets by updating each asset's recoverable amount at each reporting date. An impairment loss will be recognised if the carrying amount of an asset, or its related cash-generating unit, exceeds its estimated recoverable amount. If market disruptions caused by the current COVID-19 pandemic and the current depressed oil price persists, the Group may record further impairment losses.

To mitigate the impact from COVID-19, the Group continues to focus on operational excellence and tightening cost controls. The Group continues to monitor the rapidly evolving COVID-19 situation and shall keep shareholders informed of any material developments as and when they arise.

The Company and 8 subsidiaries have on 6 August 2020 received letters of demand and statutory demand dated 6 August 2020 pursuant to Section 125(2)(a) read with Section 125(1)(e) of the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018) and Section 23(1)(b) of the COVID-19 (Temporary Measures) Act 2020 from Shook Lin & Bok LLP, acting on behalf of Oversea-Chinese Banking Corporation Limited ("OCBC") seeking payment of USD 230,686,893.20; SGD 5,157,662.06; and SGD 5,161,942.05 outstanding as at 31 July 2020 within seven (7) days of the date of the letter (the "Letters of Demand"). With the Letters of Demand, the Company is unable to reasonably assess its financial position. Please refer to the announcements dated 12 August 2020 for more details. Trading in the shares of the Company has been suspended.

11. If a decision regarding dividend has been made: -

(a) Whether an interim (final) ordinary dividend has been declared (recommended); and

None.

(b)

(i) Amount per share in cents

Not applicable.

(ii) Previous corresponding period in cents

Not applicable.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable

Not applicable.

(e) The date on which Registrable Transfers received by company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared/recommended for the current financial reporting period due to the lack of distributable funds.

13. Interested persons transactions

The Group has the following interested person transactions ("IPT") for the first six months of the financial year ended 30 June 2020:

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 KS Drilling Indonesia and its subsidiaries ("JVC Group")		
• Expected additional interest income on Financing [2]		SGD 4,562,887
• Injection of shareholders' loans pursuant to the Financing provided by KS Drilling to JVC Group [2]		SGD 1,145,949
Additional information pursuant to the JVC IPT Mandate:		
• *Injection of funds by KS Drilling to JVC Group*		*USD 1,008,283*
• *Total outstanding amount due from JVC Group on Additional Loan including accrued interest thereon as at the end of period* [1]	*USD 1,908,232*	
• *Total outstanding amount due from JVC Group for rig management fees and other services as at the end of period*		*USD 74,989*
• *Total outstanding amount due from JVC Group including loan principal, accrued interest and guarantee fees as at the end of period* [2]		*USD 58,089,886*

[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 has been fully repaid. The Company released an update announcement dated 21 June 2018.

(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 26 June 2020, the Group provided funding for the purchase of Rigs and Equipment which has been provided by way of shareholder guarantees and shareholder loans (the "Financing") to JVC Group. The shareholder loans provided under such Financing by KS Drilling Pte Ltd ("KS Drilling"), an 80.09% subsidiary of the Company, to PT JSR, accrue interest at a rate of 7% per year and the principal amount outstanding as at 30 June 2020 was US$41.3 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$41.3 million balance is US$1.0 million that has been advanced during the current financial year to 30 June 2020.

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, including the chief executive officer and chief financial officer.

BY ORDER OF THE BOARD

Samuel Paul Oliver Carew-Jones
Executive Director and Chief Financial Officer

14 August 2020

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

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

We, Mr Richard Wiluan and Soh Gim Teik, being Directors of KS Energy Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the financial results for the period ended 30 June 2020 to be false or misleading in any material aspect.

On behalf of the Board of Directors

RICHARD WILUAN
Executive Chairman and Chief Executive Officer

SOH GIM TEIK
Director

Singapore, 14 August 2020