KS ENERGY LIMITED
An Integrated Energy Services Hub

PROPOSED ISSUE OF NEW CONVERTIBLE BONDS

1. INTRODUCTION

The Board of Directors of KS Energy Limited ("**Company**", together with its subsidiaries, the "**Group**") wishes to announce that the Company has, on 21 September 2015, entered into a purchase agreement ("**Purchase Agreement**") with TAEL One Partners Ltd, acting in its capacity as General Partner of The Asian Entrepreneur Legacy One, L.P. (the "**Subscriber**"), for the proposed issue of New Convertible Bonds (as defined below) ("**New Issue**").

Under the terms of the Purchase Agreement, the Company shall issue, and the Subscriber has agreed to subscribe for, an aggregate of S$7,500,000 in principal amount of 6.00 per cent. convertible bonds due 2016 ("**New Convertible Bonds**") at an issue price of 100.0 per cent. of the principal amount of the New Convertible Bonds. The New Convertible Bonds will be in registered form in the denomination of S$250,000 each and integral multiples thereof.

Each New Convertible Bond will, at the option of the holder of the New Convertible Bond ("**Bondholder**"), be convertible (unless previously redeemed, converted or purchased and cancelled) into fully-paid ordinary shares of the Company ("**Shares**") at an initial conversion price of S$0.28 per new Share ("**Conversion Share**"). The initial conversion price is subject to adjustment in the circumstances set out in the terms and conditions of the New Convertible Bonds ("**Conditions**"). The initial conversion price represents a premium of 2.8% to S$0.2725, being the volume weighted average price for trades done on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 21 September 2015, which is the full market day for which trades were done immediately preceding the signing of the Purchase Agreement .

2. PRINCIPAL TERMS AND CONDITIONS OF THE NEW CONVERTIBLE BONDS

The principal terms and conditions of the New Convertible Bonds are summarised as follows:

Issue Size	:	S$7,500,000 in principal amount of New Convertible Bonds.
Issue Price	:	100.0 per cent. of the principal amount of the New Convertible Bonds.
Settlement	:	Subject to fulfilment of the conditions of the Purchase Agreement, settlement for the New Convertible Bonds is expected to take place on the Closing Date (as defined below).
Interest	:	The New Convertible Bonds will bear interest at the rate of 6.00 per cent. per annum, payable on or about 21 March 2016 and the Maturity Date in arrears.
Yield-to-Maturity	:	11.0 per cent. per annum.
Initial Conversion Price	:	S$0.28 for each Conversion Share.
Initial Conversion	:	892,857 Conversion Shares for every S$250,000 in principal

Ratio		amount of the New Convertible Bonds.
Anti-dilution Protection	:	The initial conversion price will be adjusted in certain circumstances, including subdivisions, consolidations and reclassifications of Shares, issuance of securities and capital distributions, other than specific excluded events.
Conversion Period	:	The conversion right attaching to any New Convertible Bond may be exercised, at the option of the Bondholder, at any time on or after the stock exchange business day immediately after the Closing Date until the date falling seven (7) days prior to the maturity date, subject to customary closed periods.
Status of the New Convertible Bonds	:	The New Convertible Bonds (when issued) will constitute senior, direct, unconditional, unsecured and unsubordinated obligations of the Company and will at all times rank above all present and future obligations owing to the shareholders of the Company, and/or all future obligations owing to subsidiaries of the Company (save that such present and/or future obligations shall not have arose or arisen in the Company's or where relevant, the Company's subsidiaries' ordinary course of business), but rank *pari passu* without any preference among themselves and with all other present and future direct, senior, unsubordinated, unconditional and unsecured obligations of the Company (including present and future obligations owing to the shareholders of the Company and/or all future obligations owing to subsidiaries of the Company that arose or shall arise in the Company's or where relevant, the Company's subsidiaries' ordinary course of business) other than those preferred by statute or applicable law.
Status of the Conversion Shares	:	The Conversion Shares will when issued and delivered be fully-paid and freely transferable, free and clear of all liens, encumbrances, security interests or claims of third parties.
Maturity Date	:	On or about 21 September 2016.
Redemption on Maturity	:	Unless previously redeemed, converted or purchased and cancelled, the New Convertible Bonds will be redeemed by the Company at 105.00 per cent. per annum of their principal amount together with unpaid accrued interest thereon on the Maturity Date.
Redemption at the Option of the Bondholders	:	Bondholders shall have the option to redeem all or some only of the outstanding New Convertible Bonds at the Early Redemption Amount plus accrued and unpaid interest, in the following events:- (i) if there is a change in control of the Company; or (ii) if the Shares cease to be listed or admitted to trading or suspended for a period equal to or exceeding 20 trading days.
Redemption at the Option of the Company	:	The Company shall have the option to redeem the outstanding New Convertible Bonds, in whole but not in part, at the Early Redemption Amount plus accrued and unpaid

		interest, in the following events:- (i) if at any time the aggregate principal amount of the New Convertible Bonds outstanding is less than 10 per cent. of the aggregate principal amount originally issued; (ii) if the Company becomes obliged to pay additional amounts to gross up any withholding tax as a result of any change in the taxation laws of Singapore, save that Bondholders have the right to elect for their New Convertible Bonds not to be redeemed but with no entitlement to any additional amounts.
Early Redemption Amount	:	For each S$250,000 in principal amount of the New Convertible 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$250,000 + S$250,000 x r x (d/p) + AI r = 5 per cent., expressed as a fraction. d = number of days from and including the Closing Date to, but excluding, the date fixed for redemption (the "**Determination Date**"), 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 on a New Convertible Bond determined in accordance with the Conditions.
Listing	:	Application will be made to list the Conversion Shares (if any) on the Official List of the SGX-ST.
Governing Law	:	Singapore law.

3. CONVERSION SHARES

The proposed issue of the New Convertible Bonds and the Conversion Shares is made pursuant to the general mandate for issue of shares and securities given to the directors of the Company at the annual general meeting of the Company held on 29 April 2015 ("**Existing Share Issue Mandate**").

The number of Conversion Shares to be allotted and issued by the Company pursuant to the full conversion of the New Convertible Bonds is approximately 26,785,710 (based on the Issue Size, the Initial Conversion Price and assuming no adjustments to the Initial Conversion Price). The 26,785,710 Conversion Shares represent approximately 5.22 per cent. of the Company's issued share capital of 512,932,215 Shares as at the date of this announcement, and 4.96 per cent. of the enlarged issued share capital of the Company assuming (i) full conversion of the New Convertible Bonds; and (ii) no further conversion of the Company's existing convertible securities.

4. THE SUBSCRIBER

The Subscriber is an existing convertible bondholder of the Company.

The Subscriber is a Cayman Islands exempted company which acts as the General Partner of The Asian Entrepreneur Legacy One, L.P. ("**TAEL One**"). TAEL One is in turn a regional private equity investment fund registered in the Cayman Islands.

As at the date of this announcement, the Subscriber holds S$15,000,000 in principal amount of convertible bonds due in March 2016 issued by the Company (the "**Existing Bonds**"), and in connection with which it has, on 21 September 2015, entered into a Bond Repurchase Agreement (the "**Bond Repurchase Agreement**") with Pacific One Energy Limited, pursuant to which it shall sell, and Pacific One Energy Limited shall purchase, all of the Existing Bonds. Pacific One Energy Limited is a controlling shareholder of the Company and an associate (as defined in the Listing Manual of the SGX-ST) of the Company's Executive Chairman and Chief Executive Officer, Mr. Kris Taenar Wiluan, and the Company's Executive Director, Mr. Richard James Wiluan.

The Subscriber is a willing investor in the Company and had entered into the Purchase Agreement purely for financial investment purposes. Neither the Subscriber nor its respective directors or substantial shareholders have any connection with any director or substantial shareholder of the Company.

5. RATIONALE AND USE OF PROCEEDS

The estimated net proceeds from the New Issue are approximately S$7,400,000 and the Company intends to use the entire net proceeds from the New Issue for general working capital and to refinance the existing debts of the Company. Pending deployment, the net proceeds from the New Issue may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities, as the Company deems appropriate.

6. FINANCIAL EFFECTS

6.1 Share Capital

The illustrative financial effects of the New Issue on the share capital of the Company, based on the issued share capital of the Company as at the date of this announcement, are as follows:-

	Number of Shares (excluding treasury shares)
As at the date of this announcement ("**Latest Practicable Date**")	512,932,215
After completion of the New Issue and assuming full conversion of the New Convertible Bonds [(1)]	539,717,925

Notes:

(1) Assuming that none of the existing and outstanding convertible securities of the Company ("**Outstanding Convertible Securities**") are converted into Shares.

As at the Latest Practicable Date, the Company has the following outstanding convertible securities:

In 2013, the Company issued up to an aggregate of S$45,000,000 in principal amount of 6.00 per cent. convertible bonds due in 2016, pursuant to the purchase agreement entered into with Oversea-Chinese Banking Corporation Limited and the Subscriber on 28 February 2013, the full conversion of which will result in an issuance of an aggregate of 54,216,720 new Shares, assuming there is no adjustment to the initial conversion price ("**Existing Convertible Bonds**").

In the event that the Outstanding Convertible Securities are fully converted into Shares, 54,216,720 new Shares will be issued pursuant to the exercise of the Existing Convertible Bonds the number of Shares of the Company will be increased by 54,216,720.

Accordingly, the aggregate of the 26,785,710 Conversion Shares and the 54,216,720 new Shares that may be issued by the Company pursuant to the full conversion of the Outstanding Convertible Securities, represent approximately 15.79 per cent. of the Company's issued share capital of 512,932,215 Shares as at the date of this announcement.

6.2 NTA

The illustrative financial effects of the New Issue on the NTA of the Company, based on the audited consolidated balance sheet of the Company as at 31 December 2014 assuming the New Issue was completed on 31 December 2014, are as follows:-

	31 December 2014
As reported:	
NTA (S$ 000'000)	440.9
NTA per Share (Singapore cents) [(1)]	85.96
After completion of the New Issue but before conversion of the New Issue [(3)]	
Adjusted NTA (S$ 000'000)	441.0
Adjusted NTA per Share (Singapore cents) [(1)]	85.98
After completion of the New Issue and assuming full conversion of the New Issue [(3)]	
Adjusted NTA (S$ 000'000)	448.3
Adjusted NTA per Share (Singapore cents) [(2)]	83.06

Notes:

(1) Based on 512,932,215 Shares in issue (excluding treasury shares) as at the Latest Practicable Date.

(2) Based on 512,932,215 Shares in issue (excluding treasury shares) assuming full conversion of the New Convertible Bonds.

(3) Assuming that the capital reserve arising from the issue of the New Convertible Bonds is S$0.2 million.

6.3 Earnings

The interest expense in respect of the New Issue prior to any conversion will be at the effective rate of 11.00 per cent. per annum, plus amortisation of the fair value of the conversion rights recorded on the date of issue. However, it is not possible to quantify the effects of the New Issue on the earnings of the Company and its subsidiaries until the proceeds from the issue of the New Issue have been fully deployed.

6.4 Net Gearing

The illustrative financial effects of the New Issue on the net gearing of the Company, based on the audited consolidated balance sheet of the Company as at 31 December 2014, are as follows:-

	31 December 2011
As reported:	
Net debt (S$ 000'000)	335.5
Shareholders' funds [1] (S$ 000'000)	445.1
Net gearing [2]	0.75
After completion of the New Issue but before conversion of the New Issue	
Net debt (S$ 000'000)	335.4
Shareholders' funds [1] (S$ 000'000)	445.2
Net gearing [2]	0.75
After completion of the New Issue and assuming full conversion of the New Issue	
Net debt (S$ 000'000)	328.1
Shareholders' funds [1] (S$ 000'000)	452.5
Net gearing [2]	0.73

Notes:

(1) Shareholders' funds include minority interests.

(2) Defined as net debt divided by shareholders' funds.

7. CONDITIONS PRECEDENT

The New Issue is conditional upon, *inter alia*:

7.1 the SGX-ST having granted approval in-principle for listing of the Conversion Shares issuable upon conversion of the New Convertible Bonds;

7.2 on or prior to the Closing Date, there shall have been delivered to the Subscriber in a form reasonably satisfactory to the Subscriber, an opinion (including an opinion that the Purchase Agreement constitutes legal, valid, binding and enforceable obligations under Singapore law), dated the Closing Date, of TSMP Law Corporation, legal advisers to the Subscriber as to Singapore law and such other resolutions, consents, authorities and documents relating to the issue of the New Convertible Bonds, as the Subscriber may reasonably require;

7.3 on or prior to the Closing Date, each of Pacific One Energy Limited and Kris Taenar Wiluan shall have executed a lock-up agreement, substantially in an agreed form, whereby they undertake not to sell any Shares or enter into other transactions with a similar effect for a period from the date of the Purchase Agreement until sixty (60) business days after the Closing Date;

7.4 on or prior to the Closing Date, there shall have been delivered to the Subscriber, each in a form reasonably satisfactory to the Subscriber, any additional documents required by the Subscriber and its legal advisers, which is necessary for the completion of the issue (specifically, the settlement of the subscription consideration for the New Convertible Bonds);

7.5 at the Closing Date (i) the representations and warranties of the Company in the Purchase Agreement shall be accurate and correct in all material respects at, and as

if made on, such Closing Date; (ii) the Company shall have performed all of its obligations hereunder expressed to be performed on or before such Closing Date; (iii) there shall have been delivered to the Subscriber a certificate (substantially in an agreed form), dated as of such Closing Date, of a director of the Company to such effect;

7.6 the Company having obtained all consents and approvals in respect of the issue of the Conversion Shares;

7.7 on the Closing Date, the issuance and sale of the New Convertible Bonds to the Subscriber shall not be prohibited by the laws and regulations of any jurisdiction to which the Subscriber or the Company is subject;

7.8 there has been no change in (i) the business, operations, management, affairs or financial condition of the Company and any member of the 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, (b) is reasonably expected to have a material effect on the ability of the Company or the Subscriber to perform their respective obligations under the Purchase Agreement or the New Convertible Bonds, or (c) would affect the validity or enforceability of the Purchase Agreement or the New Convertible Bonds; and

7.9 the entry into the Bond Repurchase Agreement and the completion of the sale and purchase of all the Existing Bonds upon the terms and conditions set out therein.

8. CLOSING DATE

The closing date of the New Issue shall be the earlier of: (i) 15 October 2015, (provided that the conditions precedent above have been met on or before 15 October 2015); (ii) the date falling eight (8) business days following the date on which the conditions precedent set out above have been met (provided that the Company makes the application for the Conversion Shares to be listed on the SGX-ST within five (5) business days from the date of the Purchase Agreement, and the SGX-ST having granted approval in-principle for listing of the Conversion Shares on or before the date falling one (1) month after the date of such application) subject to such date falling no later than 31 December 2015; or (iii) such other time or date as the Company and the Subscriber shall agree, provided that such date is at least three (3) business days after the Second Tranche Purchase Date (as defined in the Bond Repurchase Agreement) (the "**Closing Date**").

9. LOCK-UP AGREEMENT

The Company has undertaken to the Subscriber that, save for the Shares to be issued by the Company pursuant to the existing convertible securities issued by the Company, neither the Company nor any of its subsidiaries nor any person acting on its or their behalf will, for a period from the date of the Purchase Agreement until sixty (60) business days after the Closing Date, without the prior written consent of the Subscriber (such consent not to be unreasonably withheld), issue, offer, sell, contract to sell, pledge or otherwise dispose of (or publicly announce any such issuance, offer, sale or disposal) securities issued by the Company, any Shares or securities convertible or exchangeable into or exercisable for Shares or warrants or other rights to purchase Shares or any security or financial product whose value is determined directly or indirectly by reference to the price of the Shares, including equity swaps, forward sales and options representing the right to receive any Shares.

On or prior to the Closing Date, each of Pacific One Energy Limited and Kris Taenar Wiluan shall have executed a lock-up agreement, substantially in an agreed form, whereby each of

them undertakes not to sell or transfer any Shares for a period from the date of the Purchase Agreement until sixty (60) business days after the Closing Date.

10. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the directors and substantial shareholders of the Company, or any other persons listed in Rule 812(1) of the Listing Manual of the SGX-ST, has an interest, direct or indirect in New Issue.

11. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Purchase Agreement and the Conditions is available for inspection during normal business hours from 9.00 a.m. to 5.00p.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.

12. ANNOUNCEMENTS

Further announcements on the New Issue will be made in due course as and when appropriate.

13. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors (including those who may have been delegated detailed supervision of the New Issue) 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.

14. TRADING CAUTION

Shareholders and potential investors of the Company are advised to read this announcement 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

Kim Yi Hwa
Company Secretary

21 September 2015

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